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ABSTRACT

The process for organizing and conducting a conference of finance and budgeting in higher education is described in this manual designed for use by groups interested in developing successful conferences in their regions. The manual is an outgrowth of a series of conferences sponsored by the Committee for the Concerns of Women in New England Colleges and Universities (CONCERNS) and the Center for Research on Women in Higher Education and the Professions at Wellesley College. These conferences were directed toward women administrators in higher education and were held in 1974, 1975, and 1976. The conferences were intended to provide an opportunity for women in various administrative roles in academic institutions to share their concerns, to improve their administrative skills, and to develop associations with their counterparts in other colleges and universities. The introduction to the manual provides a preface, objectives of the manual, instructions on how to use the manual, and a sample conference schedule. Part Two, "Lecture Material," provides information on budgeting and fund accounting in colleges and universities. Part Three, "Case Material," describes how to use case materials, the structure of workshops, and fictitious Persons College case materials, such as budget worksheets, department requests, and priorities committee. Part Four offers information on conference planning and evaluation. Appendices include: women's organizations; visual aid materials, such as transparency originals; and handouts including illustrative exhibits, introduction to fund accounting in higher education, a bibliography, a glossary, and a planning calendar. (LC)

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CONFERENCE FOR WOMEN ADMINISTRATORS

FINANCIAL MANAGEMENT OF COLLEGES AND UNIVERSITIES

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The National Association of College and University Business Officers

&

Committee for the Concerns of Women in New England Colleges and Universities

National Association of College and University Business Officers
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CONFERENCE FOR WOMEN ADMINISTRATORS/FINANCIAL MANAGEMENT OF COLLEGES AND UNIVERSITIES

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INTRODUCTION

Preface
Objectives
Using the Manual
Conference Schedule

PREFACE

This manual is an outgrowth of a series of conferences sponsored by the Committee for the Concerns of Women in New England Colleges and Universities (CONCERNS) and the Center for Research on Women in Higher Education and the Professions at Wellesley College. These conferences were directed toward women administrators in higher education and were held in 1974, 1975, and 1976. The conferences were intended to provide an opportunity for women in various administrative roles in academic institutions to share their concerns, to improve their administrative skills, and to develop associations with their counterparts in other colleges and universities. As a result of these conferences, it became clear to the CONCERNS group that there was a need to prepare a manual which could be used by groups of people who were interested in organizing and conducting low-cost workshops on finance and budgeting in higher education.

In 1976, the National Association of College and University Business Officers (NACUBO) agreed to join with the CONCERNS group to become a cosponsor in producing this manual, because of the NACUBO interest in improving the financial skills of college and university administrators. This manual is a result of the joint efforts of CONCERNS and NACUBO. It attempts to define as precisely and comprehensively as possible the mechanics of organizing and conducting conferences on financial management of colleges and universities, so that women and men elsewhere may, with reasonable expectation of success, run comparable programs.

The enclosed material was prepared and made available for distribution as a result of a Ford Foundation grant. It is produced and distributed with the hope that it will be used to conduct conferences which will increase the financial expertise of college and university administrators.

CONCERNS and NACUBO are indebted to the following persons who contributed material for inclusion in this manual:

John M. Dozier, Vice President for Finance and Development, Kalamazoo College
Bronwen Haddad, Conference Coordinator, Center for Research on Women, Wellesley College
Daniel D. Robinson, Partner, Peat, Marwick, Mitchell & Co.

and to:

John Philip Goree, Vice President for Business Affairs, Florida Technological University
W. Harold Read, Vice President Emeritus, The University of Tennessee
M. Lenise Smith, Associate Controller, Princeton University
Joan C. Tonn, Assistant Professor, Management Program, University of Massachusetts/Boston

who served on the joint CONCERNS/NACUBO committee which contributed material for this manual, coordinated its preparation, and provided review of its contents.

OBJECTIVES

The objective of this manual is to define the process for organizing and conducting a conference on finance and budgeting in higher education so that interested groups may run successful conferences in their regions.

The content of the conference is intended to answer such questions as the following:

How do financial managers obtain and control needed funds?

How are funds committed to the production of goods and services?

What are the basic steps of the budget cycle?

What are the roles of the various actors in the budgeting process?

What is the importance of political considerations in the budget cycle?

What are the different types of budget control procedures and how are they used in the budget process?

What do institutional financial statements say?

How do the financial statements relate to the budget system?

USING THE MANUAL

This manual is designed to assist you in conducting a conference for women administrators on financial management of colleges and universities. It contains most of the information and instructional materials you will need.

Before planning the conference, you should familiarize yourself with the contents of the manual. Under the tab entitled "Introduction" you will find a brief description of how this manual came into being, a statement of objectives of the manual and of the conference, and a proposed conference schedule. Additional information on the conference schedule is located in the section on "Conference Planning."

The lecture material located under the second tab is to be provided to the two experts you select to present the lectures on college and university accounting and budgeting. You should point out to these speakers that the material is to be used as a guideline--it is not intended to be read verbatim to attendees but shows the scope of subject matter to be presented and a suggested organization of the material. Each speaker may wish to adapt the material and supplement it with anecdotes and cases from his or her own experience, keeping in mind the time constraints and the need to cover the bulk of the material. Visual aids to accompany the lectures are found in the Appendix. Additional aids may be developed by the speakers if they desire.

Under the tab "Case Material" are all of the items needed to conduct the case study. Some of the items are to be reproduced and sent to participants prior to the conference; some are to be handed out during the conference sessions. Some are directed solely to the conference planners and workshop facilitators.

The section on "Conference Planning" contains details on logistical arrangements--from the initial planning begun one year in advance of the conference to the post-conference evaluation and follow-up.

The Appendix contains a list of women's organizations for possible use in publicizing the conference, originals of visual aid materials from which to reproduce transparencies, and additional materials to be distributed in advance of the meeting or handed out at the sessions.

You should read the entire manual very carefully (excluding the lecture material if you wish) once to acquire an overall idea of what is to be accomplished. Then use the manual as a reference tool as required throughout the planning of the conference.

After you have conducted your conference, it would be helpful to NACUBO/CONCERNS to know of your experiences. In particular it would be useful to receive your views about the approach taken in this manual, comments on its strengths and weaknesses, suggestions of how it might be made more useful to conference planners, etc. Any comments you may have will be very much appreciated and beneficial to the planning of similar manuals in the future. Send them to: NACUBO Professional Programs, One Dupont Circle, Washington, D.C. 20036.

CONFERENCE SCHEDULE

First Day

1:00- 2:00 p.m.	Registration
2:00- 3:30 p.m.	Operating Budget Preparation: Strategies and Process
3:30- 4:00 p.m.	Break
4:00- 5:00 p.m.	Data Collection and Budget Preparation: Roles in the Budget Process
5:00- 5:45 p.m.	General Instructions for Case Workshops
6:15 p.m.	Dinner (no formal speaker)
Evening (2 hrs)	Workshop I--"Preparation of Departmental Budgets" (concurrent sessions)

Second Day

8:30-10:00 a.m.	Introduction to Fund Accounting
10:00-10:30 a.m.	Break
10:30-12:00 noon	Introduction to Fund Accounting (continued)
12:15- 1:15 p.m.	Lunch
1:30- 3:00 p.m.	Workshop II--"Priorities Committee" (concurrent sessions)
3:00- 3:30 p.m.	Break
3:30- 5:00 p.m.	Workshop II--"Priorities Committee" (continued)
5:30- 6:30 p.m.	Social Hour
6:30 p.m.	Dinner Speaker (challenge address; role model)
Evening	Networking

Third Day

8:30-10:00 a.m.	Analysis and Interpretation of Financial Statements; Link between Accounting and Budgeting
10:00-10:30 a.m.	Break
10:30-12:00 noon	Workshop III--Presentation to Budget and Finance Committee

OPTIONAL

12:15- 1:15 p.m.	Lunch
1:30- 3:00 p.m.	Budget Cutting
3:00- 4:00 p.m.	Career Development for Women

LECTURE MATERIAL

Budgeting in Colleges and Universities

Fund Accounting in Colleges and Universities

OPERATING BUDGET PREPARATION

(Lecture Material)

OPERATING BUDGET PREPARATION

(Lecture Material)

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OPERATING BUDGET PREPARATION

I. INTRODUCTION

Informal planning and budgeting are processes which have been used in colleges and universities almost from the time there were such institutions. Unfortunately, the processes have not been clearly defined nor thoughtfully used on some campuses. Formal systems which identify the political process, make clear the power structure, delineate the decisions to be made, and announce the calendar events in reaching commitment are recent innovations used on a limited number of campuses.

There is no one prescriptive, formal budgeting process which fits all institutional needs. Each institution will wish to develop its own concepts, committee structure, and policies. The system presented does work for a number of institutions. It may appear that it fits more readily a smaller, private institution than, say, a large public university. However, the basic principles and concepts are valid for any system, and the relationships described between planning and budgeting are useful.

Perhaps a definition of what is meant by the term "operating budget" is in order at this point. The operating budget is the practical, fiscal plan of operation for a college or university for a stated time period, generally one year. It identifies and describes all anticipated revenues by source and outlines the departmental, collegiate, and divisional projected expenditures. The operating budget should encompass all aspects of the financial operation, and it is also used as a primary instrument of fiscal control. The budgetary process allocates available resources to support educational priorities and decisions. Finally, the operating budget is a convenient reflection of an institution's activities. The sponsored research and capital expenditures contemplated by an institution are not generally included as part of the operating budget. Of course, these activities are reported on in the annual financial statements, but they are not a part of the normal operating budget which reflects only the activities in the current fund.

II. STRATEGIES

A. Planning

Logically, planning precedes budgeting. In the planning process, decisions must be made about philosophy, objectives, programs, organization, staffing, and facilities. Agreement about and understanding of the objective (the mission) of the institution must be reached in planning. The objective (the mission) is the broad, overall, long-term purpose of the institution. From mission the process moves to a determination of institutional goals--those definitive elements capable of achievement in a certain time period, perhaps five to ten years. Programs are further defined as shorter-term elements with tangible results reached in one or two years.

Planning and budgeting are meant to facilitate having some "rational control of the future." It is this element which makes consistent participation in the processes essential. Decisions made now influence the quality of the future--the future not only of the institution generally but of the constituent groups specifically. Choices are made now which evaluate future programs and anticipated results. These choices speak to the hopes of people for the future which hopefully will be an improvement on the present. In an article "Does Planning Work?" by Aaron Wildavsky, appearing in the Summer 1971 issue of The Public Interest (No. 24) the following statement is made:

> Planning may be seen as the ability to control the future consequences of present actions. The more consequences one controls, the more one has succeeded in planning. Planning is a form of causality. Its purpose is to make the future different from what it would have been without this intervention. Planning, therefore, necessitates a causal theory connecting the planned actions with the desired, future results. Planning also requires the ability to act on this theory; it requires power.

Planning (and budgeting) is a comprehensive and continuous process in well-managed institutions. Unless all program elements are considered, unless the external world is considered, and unless alternative solutions are considered, there can be little assurance that the best plans have been created and the best budget allocations made. In combination planning and budgeting do four basic things: (1) determine what is to be done (institutional goals and academic program decisions), (2) develop operational plans to do it (support programs and budgets), (3) adopt controls to test if the plans are being followed (operating statements, program reviews), and (4) establish a system of evaluation to determine plan achievements (analyzes and measures results). Generally, the development of five-year plans and supporting budgets is an annual exercise with one year being dropped and a new year being added. The institution, then, is literally always in the first year of a five-year plan. AV-2

B. Campus Politics

The planning and budgeting processes are political. They center around the use of authority. Who, really, is in charge of the institution? How are decisions made to use human and financial resources to achieve educational goals?

One might rephrase the question "Who is in charge?" and ask, "Who is in charge of what?" The curriculum? The budget? The heating plant? The educational mission of the institution?

Another paraphrasing might be, "Who is in charge when?" When trustees meet? When the state legislature passes an appropriations bill? When students demonstrate to get their way? When faculty bodies pass resolutions suggesting change in the institution?

The range of styles in institutional governance is wide. Some institutions are relatively autocratic while others are egalitarian. More institutions are moving to a form of participatory governance than any other. In such a system, constituent group (i.e., trustees, faculty, students, administration) participation is guaranteed. In the interest of the common good, a system of governance would logically incorporate balance between the groups with a vested interest and provide for a proper division of labor. Not all of the functions within an institution of higher education can be democratic. Some are necessarily better directed by specialists. Participation in deciding basic policy matters and in areas directly affecting them should be afforded each group. Authority should be clearly assigned for each function of the institution and, just as important, responsibility for that authority should also be assigned.

Public and private institutions are created by the granting of a charter, generally from the state. The charter is normally a grant or guarantee of rights, franchises, or privileges. For an institution of higher learning it also grants certain special privileges, immunities, and exemptions. Each institution through its charter creates a governing body and describes the election process for the trustees and officers. From this stems the creation of bylaws which are regulations for the institution's local or internal affairs.

In public institutions, funding by state legislative bodies requires participation by institutional officers in a political arena outside the college or university. For both public and private institutions, sound relationships must be maintained with alumni bodies and donors who provide financial support.

The individual campus political environment must also be understood and dealt with as plans and budgets are created.

C. Budgeting Systems

Formal budgeting systems have one essential advantage. They describe the events which will occur in the development of the budget, and in so doing they provide a communication link between the process and campus constituent groups. They also provide a specific format for the presentation of plans and budgets and generally demonstrate the manner in which authority will be used. In doing those things, constituents are kept informed and come to have a belief in the plans and budgets of their institutions. Without this belief budgets are ignored, circumvented, or sabotaged. AV-3

There are a number of budgeting systems which have been developed over the years and about which there should be some understanding. Whatever system is adopted, it should be adapted to the idiosyncracies of the individual campus. A description of the most widely used systems follows:

1. Line-Item Incremental Budgeting

At present this is the most commonly used and most widely accepted budgeting technique in colleges and universities. This is likely true because budget units following traditional discipline definitions (i.e., Art, Biology, Chemistry--President's Office, Provost's Office, Business Office) and line-item allocations of funds (salaries, fringes, office supplies, printing, travel). In addition, there is comfort in approaching a budget with the notion that the only decisions to be made relate to determining the use of incremental amounts of available revenue.

Institutions of higher learning are slow to change and for humanitarian reasons loath to drop programs which would move colleagues to unemployed status--no matter how obsolete or unproductive the activity. Decisions typically are about salary increments and supply and services amounts required to keep pace with inflation and peer institutions. Of course, the basic technique does not require only these responses, for programs could still be evaluated and changed even though departmental requests for funds are based upon line-item delineations at some increased level.

Functionally, this system depends on two items--the immediate past history of the institutional budget and an estimate of revenues available for the period immediately ahead. The present budget and one or more past years of actual expenditures are given to each budget unit (department) with a statement of guidelines including tolerable increase levels with a request for a budget proposal for the year (or years) ahead. Budget requests are prepared on an object classification, line-item basis. AV-4

Examples of a typical presentation format for this type of process are included in the Persons College case with which you will work during this conference.

2. Multiple Budgeting

This system has been used in recent years by a number of institutions, especially public ones, to be prepared for a worsening economic climate. As the name implies, budgets are prepared for at least two different levels to achieve an automatic fall-back position in the event that funds available are short of the highest level budget. This is one way to hedge against uncertain enrollment patterns or difficult-to-read state legislative appropriation patterns. Budget guidelines in such a system would typically ask for an "A" level budget, assuming X percent incremental income and a "B" level budget assuming X-Y percent incremental income. This technique is also useful in a hold-the-line year of budgeting. Departments could be asked to prepare a budget for the year ahead with the same total dollars as in the current year and an alternate budget with X percent incremental funding available. It is important to note that if budgets are restricted to the same total dollars, they may be changed substantially by line item to reflect shifts in program emphasis. This technique identifies those items in each department which have the lowest priority.

3. NACUBO Planning and Budgeting System

This system was designed originally for small, private colleges to provide concepts and techniques to ensure optimum use of limited resources. The manual developed for use with the system had far broader acceptance than was first envisioned and the basic concepts have survived well through time. Basically, the system insists on planning and budget as joint, essential activities. It requires the use of a formal planning calendar, a planning team with constituent representation, and a faculty-dominated analytical review committee. It also requires an annually updated five-year plan and budget.

The process demonstrated in this conference is an adaptation of the NACUBO planning and budgeting system. Again, the important concept is that of using a formal system designed to reflect the pace, style, and idiosyncracies of the individual campus.

4. Formula Budgeting

A number of states have in recent years developed formulas which public institutions within their boundaries must use in preparing budget requests. In earlier times most states had only a few institutions, often divided into a college and a university system. With the advent of junior colleges, community colleges, vocational and technical institutions, and an expansion of both college and university branches in more widespread geographic locations, the allocation of funds becomes more difficult.

In most formula systems, state funds are assigned to institutions for operation on the basis of predetermined activities. These criteria vary, but generally include enrollment of in-state students, location (urban versus small town), educational level (junior college, graduate and professional, four-year baccalaureate), and type of program (general college versus engineering, etc.). AV-5

There are, in many instances, other resources available. Certainly variations in tuition levels offer one alternative and some public institutions have substantial endowment funds. As curtailments in available public funds have been made, public institutions have sought private gifts with more vigor. Formula budgeting generally does not take these variations into account.

5. Planning-Programming-Budgeting Systems (PPBS)

This is a conceptual approach to decision making which emphasizes outputs, program activities, and accomplishments. The emphasis in this system is on outputs, cost-effectiveness methods, rational planning techniques, long-range objectives, and the use of analytical tools for decision making. The original concept was developed by the RAND Corporation and installed in the Department of Defense in 1961. Both New York and California have in recent years developed PPBS formats for their budgeting processes. As the name implies, there are three major phases in PPBS: planning, programming, and budgeting. In the first step (planning), the college or university establishes its long-term purposes and objectives; in the second (programming), more immediate shorter-range goals for each operating units are determined; and in the third (budgeting), explicit financial plans are completed.

The principal advantage of the PPBS system is that it forces planning ahead of budgeting and requires that program units define quantifiable, measurable outputs by which their performance can be measured. There is also a further advantage that program elements and their goals can be more clearly related to broader institutional objectives. The principal disadvantages lie in the fact that traditional departments and disciplines become sublimated and precise performance measurements cause anxiety in academic institutions.

6. Zero Base Budgeting

In this system every department is assumed to begin the new budget cycle with no budget in place and no pertinent past budget history. Each budget request is to be presented and justified as if the program to be supported was new and requesting support for the first time. The principal concept is that such a system forces a review of each program activity in a way that may more easily identify obsolete and meaningless programs which should be dropped. This system may be difficult to introduce because people have limited experience with the system and because it seems to threaten all the practices which are generally accepted at an institution. The response to the annual threat of zero base budget justifications may be redoubled efforts to justify nonproductive activities. In addition, it should be recognized that the budget history of each department does exist and can provide useful supplementary information in the budgeting process.

D. Budget Cutting

From time to time institutions find themselves faced with the problem of having to reduce budgets. The depression of the 1970s in higher education has affected most institutions. A number have had to cut budgets for the first time in many years. A fuller discussion of budget cutting is scheduled later in the conference, but note should be taken of the need to understand useful techniques in budget cutting.

Periods of budget cutting provide the catalyst for determining what is obsolete and unproductive. Usually deep vertical cuts to eliminate the lowest priority or least productive functions are the wisest decisions. More often than not, horizontal cuts--say, across-the-board salary reductions--continue support for the least productive while undermining the support for the best and most productive functions. Clearly, the most mobile employees are those who are the brightest and best. If salary levels fail to advance and keep pace with the market place, these people leave.

Every aspect of the institutional operation should be fairly and carefully examined; a "nothing-is-sacred" attitude will prove healthy and productive in the long run.

III. THE PROCESS

A. The Planning Calendar

The process begins with the creation of a calendar for the planning and budgeting period. The calendar is typically prepared by the administrator who has been designated by the president as the "planning officer" of the institution. Approvals by the president, his or her senior administrative colleagues, and the planning and budget committee are generally obtained. The calendar delineates in a convenient time format a graphic chronology of events and their schedule and duration. The calendar provides a clear overview of the system to all those involved in planning and budgeting. Using a calendar delineates the authority pattern and the key events in the process. If properly used, it assures there are no hidden agendas and serves as a tool in making things happen. AV-6

The calendar with periodic embellishments is a working tool for the planning team. It also is a useful communication device to inform the campus generally about the planning and budgeting activities for the year.

B. Planning Assumptions

The next step in the process is development of basic planning assumptions. These are developed by the planning team. A review is made of whatever long-range plans may exist. If no long-range plan exists, it is necessary to create the basic documents to provide both a philosophical and practical setting for the development of plans and budgets. The basic planning assumptions must include: (1) a statement of institutional mission, (2) a statement of pertinent college policies, (3) a summary of external environmental assumptions, and (4) a summary of internal or institutional environmental assumptions. AV-7

Statements of mission are almost always broad, platitudinous, and of limited practical usefulness. At a minimum, however, a statement of mission should clarify whether an institution is public or private, whether it is a college or university, what degrees are offered, what constituency it serves, and any unique characteristics obtaining to itself. Ideally, it would include statements of expected results that can be measured or observed. While the planning team itself need not be the genesis of the mission statement, it has the difficult job of seeing that one is created which represents a consensus of those involved in the operation of the institution and is at the same time straightforward and defined in terms of measurable objectives.

C. Institutional Policies

The preparation of a statement of institutional policies is not so amorphous an exercise. The principal problem is the fact that institutions have more policies than have ever been documented and codified. A review of the most pertinent sections of existing faculty and staff handbooks, governing board minutes, student handbooks, and policy memoranda files should be made. Generally, policy statements should be included in the planning assumptions about the following areas: (1) faculty and academic departments (academic calendar, teaching methods, distribution of faculty by rank, tenure, and promotion policies, teaching loads, etc.), (2) student body (geographical origins, socioeconomic backgrounds, standardized tests profiles), (3) personnel policies (fringe benefit programs including holidays, vacations, sick leave, affirmative action plan, job classification system, etc.), (4) fiscal policies (balanced budget, determination of tuition and fee structure, goals and objectives for investment of institution's permanent funds, etc.). Any other pertinent policies, especially those having fiscal implications, should be included.

Examples of policies which affect the budget are: (1) Teaching loads may be set by policy which could state the number of courses to be taught in each quarter or semester or the number of student contact hours per week. If the policy is set at, say, two courses or eight student contact hours, a larger faculty would be required than would be the case with three courses or twelve student contact hours. (2) Investment objectives for institutional permanent funds may be based on a concept of investing in "quality growth equities." Such a policy would result in lower current yield in dividends than a policy based on a concept of investing in fixed income issues (bonds). A variation of 1 percent in dividend return results in a difference of $10,000 for each $1 million invested.

D. Environmental Assumptions

No institution operates in a vacuum, and the environment in which an institution pursues its goals and objectives will influence the results. The preparation of environmental assumptions, both external and internal, is essential. Some of the assumptions will simply be cryptic statements about the world situation (e.g., war versus no war), levels of the gross national product, anticipated trends in the price level of goods and services, demographic information about the number of college-age people and the number enrolled in higher education, etc. Other assumptions will be more specific and immediately useful--course enrollments, student retention rates, tuition and fee levels, projected additions to the institutional asset base, etc.

Assumptions made should be reflected in the budget process. For example, an assumption should be made about the rate of inflation in the level of goods and services to be purchased. If it is assumed that prices will increase by 5 percent during the budget period, the budget should reflect this fact. If the student retention rate has shown a down trend and it is anticipated that this will continue, enrollment will be reduced as will revenues from tuition and fees. This should be reflected in estimating available revenues for operation.

Because the planning process is cyclical, an evaluation and updating of the basic planning assumptions will be required each year. The preparation of the basic planning assumptions and their annual review may be done by the planning team as a group; individual members of the planning team; ad hoc task forces of faculty, students, and administrators; or the planning assistant. The overall responsibility for their preparation belongs with the planning team.

E. Revenue Estimating

The chief business officer develops estimates of available revenue for the planning period. Revenue estimating for a five-year future period is certainly as much an art as a science. It is important, however, to prepare a detailed and logical forecast of the estimated economic resources which can be used to support educational programs. As conditions change, so will revenue estimates, and care must be exercised to make estimates which are as realistic and accurate as possible.

The basic technique involves the development of a set of assumptions about enrollments, tuition and fee rates, gift and grant potentials (both current funds and capital), money rates, investment performance and earnings, and legislative anticipations. Most of the calculations are simple arithmetic ones, although estimating anticipated endowment additions and anticipated performance of securities markets can become complex. Frequently other administrative offices in the institution are asked to provide information or the actual income estimates for annual alumni giving, sponsored research funding, athletic receipts, etc.

Once the revenue estimates have been developed by the chief business officer, they should be reviewed by the president, the planning team, and the finance committee of the board of trustees.

F. Budget Guidelines

The final step in development of basic assumptions is the preparation of budget guidelines. This is a step generally assigned to the chief business officer. A summary statement of assumptions about available revenues, new program commitments, inflationary assumptions, shifts in fixed income costs over which there are no institutional controls, and general budget expectations should be written for use by departments as they develop their planning and budget requests. Data collecting forms to assist the departments should also be prepared. A copy of the planning and budgeting calendar showing key deadline dates should also be included. These materials should be reviewed and approved by the president and the planning team.

IV. DATA COLLECTION AND BUDGET PREPARATION

A. Introduction

The process has now entered the data collection phase. The data to be collected for use in reaching decisions about resource allocation must be determined. The two basic categories are: (1) the academic department and supporting department plans, and (2) the data for the institutional data base.

In the best of all worlds the process would proceed with the collection of academic program plans, followed by the collection of support services program plans, followed by the preparation of staffing tables, followed by the preparation of the preliminary budget, followed by review and analysis of program plans and preliminary budget, and culminate with the preparation and publication of the final plan and budget. In the real world of most institutions these steps are generally compressed. This is so because the staff time required is not available, and the political realities of the campus force different patterns. For example, most institutions request academic program plans and preliminary budget proposals simultaneously. The staffing table is more often than not put together as a simultaneous step with the preliminary budget preparation. The important thing is that each of these functions be accommodated in the process.

No matter what the exact process, the administrative structure of the institution is responsible for this phase. A copy of the planning and budgeting assumptions is sent to the head of each academic department with a request for the department to prepare its five-year plan. The request for all academic departments is sent by the chief academic officer with instructions for their return to him or her by a specific deadline date. When all academic department program and budget documents have been received, the chief academic officer should screen them to ensure accuracy and thoroughness of preparation. In large institutions, of course, deans of divisions, schools, or colleges within the university perform the same function and send collections of plans forward. Once the screening of the department plans is complete, they are turned over to the planning assistant.

The chief business officer typically follows the same pattern in collecting support services plans. The administrative structure of the institution, of course, determines the exact pattern of the process. Again, when program and budget plans from the support services departments have been screened, they are turned over to the planning assistant. AV-8 AV-8a

The development of preliminary budget materials in this system follows the administrative line organization. It is assumed that senior administrators (vice presidents) would review budget requests from departments reporting to them. It is assumed that the chief business officer would prepare the budget for consideration and approval of the planning and budget committee, the president, and the board of trustees. AV-8b AV-8c

Summaries of program plans are prepared by the planning assistant, and these summaries and department plans are reviewed by the planning team. This review makes certain that plans are economically feasible and do not represent major deviations from college goals, objectives, and policies. Following this review, the chief business officer puts in proper format all the myriad pieces of financial data relating to the current operating budget. Cost estimates received from the operating departments are carefully reviewed and checked for accuracy. All new and expanded programs are identified and accurate cost data developed. Any programs being discontinued must also be noted and cost swings identified.

Budget formats for colleges and universities should follow the principles defined in College and University Business Administration (1974) and AICPA Audit Guide (1973). Once the detailed line item, departmental expense budgets are reviewed and summarized, they should be presented to the president along with the approved estimates of available revenues. The president should indicate to the chief business officer any changes desired in the preliminary budget prior to its presentation to the planning team.

B. The Data Base

In order to make the wisest decisions, the president, the president's administrative colleagues, and the planning team need at hand certain data about their institution. While a growing number of institutions have begun systematically collecting data for planning, most have not. While adequate data for planning may in fact be a contradiction in terms, certain minimum information is essential. Each institution must determine who develops data, how data are developed, and who maintains the data once they are prepared.

Each institution must determine what data will be collected and used. As a formal and adequate planning and budgeting process is developed, the need to know will generally suggest the data which should be developed, analyzed, and reflected in decisions about plans and budgets. Typical information used in many institutions is:

Staffing Tables: Educational institutions are labor intensive, i.e., a large proportion of expenditures are made for salaries and fringe benefits. Wise use of funds, budget control, and program planning suggest that information about all employees, their functions, and their compensation should be codified and kept current. Information about normal retirements, sabbatical leaves, and current and projected salary levels should be available at all times. AV-9

Cost of Instruction: The cost of instruction by departments as related to each credit hour of teaching and for each student major is important data. Generally, the least costly and the most costly departments warrant a more critical review in the planning and budgeting process.

Student Aid: Nearly every institution, especially private colleges and universities, provides significant resources to defray educational expenses for students with limited resources. Unfunded financial aid is really a discounting of tuition and fee revenue, and careful analysis of student aid expenditures is essential in the budgeting process. An analysis by type (scholarship, grant-in-aid, work, loan) by class (freshman, sophomore, junior, senior) and by average per student per class is useful.

Student Enrollments: Enrollments by departments, by class, and the resulting faculty and department teaching loads are all important pieces of information. The development of an "induced course load matrix" is also a useful planning tool. Such a matrix displays the teaching load induced on each discipline or department by an average or typical major of each type. These data provide information about productivity, program outputs, and true costs. AV-10

Comparative Balance Sheet Figures: The financial position of every institution should be known and understood at all times. It is easy to lose sight of a deteriorating situation unless appropriate, comparative balance sheet data are maintained. Often five years of information are displayed to provide perspective about trends. Fund balances, liquidity position, and net asset levels are all important considerations in planning and budgeting.

Cash Flow Patterns: The cash position of an institution is important. Funds must be in hand to meet payrolls and to pay vendors for goods and services. Revenues can be maximized by investing all available excess cash balances. The information provided by analyzing past patterns and projecting future flows is useful. AV-11

Space Inventory and Utilization Figures: The amount of space available by categories to support institutional programs must be known. Little used space should be scrutinized and improved or reassigned. Institutions which have failed to know about their space and its use have sometimes overbuilt, and occasionally institutions have been embarrassed by failing to have adequate space to support approved programs.

Of course there is much additional data which could be collected and used. The items which have been delineated are only examples. It is important to know the facts as decisions are made about programs and budgets.

C. Budget Preparation

After all of the academic program plans, the support services plans, and staffing tables have been reviewed and approved, the chief business officer prepares a preliminary, line-item, comprehensive budget. This budget, following the NACUBO and AICPA formats, displays all anticipated revenues and approved expenditure budgets. Detailed departmental budgets and supporting schedules for each revenue category are developed and carefully checked for accuracy. Any changes in the environmental assumptions known at this point are reflected in the preliminary budget. The president and the president's senior administrative staff review the preliminary budget which is then presented to the planning committee (this may be called a "priorities committee"). Sometimes this pattern is reversed with the planning committee reviewing the preliminary budget and recommending it to the president. The preliminary budget is next presented to the finance committee (sometimes a separate budget committee) of the board of trustees. If approval is given through each of these steps, the bulk of the work of budget preparation is complete.

In most systems this preliminary budget is accepted several months prior to the time for final approval and implementation of the actual operating budget. During this period, further review of all schedules and departmental budgets is made and all requests for changes are received. Several weeks prior to the time for implementation of the budget a final budget is prepared and presented to the president for review. In turn, the budget is sent to the planning committee with notations about changes made since the preliminary budget adoption. Again, the final budget is sent with the president's recommendation for approval to the finance committee of the board of trustees and through them to the full board or its executive committee for approval. In public institutions there is usually a further presentation to the state legislature. After all approvals are given, the final plan and budget are published and distributed.

D. Implementing the Budget

The implementation cycle of the process is often not as carefully managed as the rest of the process. A carefully prepared budget may be received poorly and fail to provide proper control unless it is implemented skillfully. In presenting the budget for approval to boards of trustees and state legislatures, administrators must be certain all schedules are accurate and all explanations are clear. Materials should be sent to members of approving groups prior to key meetings to provide time for study and understanding.

After approval of the final budget, copies of the actual departmental budgets should be distributed with any pertinent information about the budget or operation of the budget. Plans and formats to produce monthly current fund operating statements should be in place as the budget is implemented. Through the year which follows, expenditure levels should be carefully monitored against predetermined expenditure rates. Budgets being spent too fast or too slowly should be studied and corrective action taken promptly to ensure compliance.

The ability to create and operate successfully three- to five-year budgets is becoming an essential management tool in higher education. There is no question that a good budget system requires a lot of work. Institutions using such a system believe the effort is worthwhile. After several years of following this logical pattern, improvements in general budgeting techniques and controls are usually noted. Achieving balanced budgets and avoiding embarrassing surprises are both useful to any institution.

New programs need careful attention as they are included in the budget. Budgets should reflect the state program goals and at least three full budget cycles should be projected. In the event a new program is expected to grow beyond the three-year cycle, it should be projected until it has reached maturity, Programs which are being reduced or dropped may phase out over several budget cycles, and the savings should be reflected in budget projections.

It is important to constantly compare what is happening in the real world with what was expected to happen per the budget projections. In recent years, for example, rapid changes in inflation rates. the adoption of new federal regulations, and the economic anomaly of the OPEC oil embargo created problems requiring short-cycle changes in budget data.

V. ROLES IN THE PROCESS

Planning and budgeting really depend on people using their professional skills and are designed to benefit a community. The concept of using a formal system, the various strategies which might be utilized, the flow of the process, and the typical data found useful in making budget decisions have all been discussed. Because the people in the process are vital, an understanding of some of the persons and groups who often are involved is useful.

Roles in the planning and budgeting process: AV-12

A. The Governing Board

The legal authority for the operation of most colleges and universities is vested in the governing board. The governing board typically operates through committees and generally there is a finance or a budget committee. In addition, the board delegates authority and responsibility for the operation of the institution to the president and, through him or her, to other administrators or to the faculty. Ultimately, however the board represents a part of the check-and-balance concept of administration. Board members should require well-documented, logical plans and balanced operating budgets. The board should create or approve broad policies for the institution, and they should be especially involved in creating and changing statements of mission, the development of goals and objectives, and the creation of realistic budgets. Consistent and clear communication between the senior administration and the governing board is an essential ingredient in any well-managed institution.

B. The President

As the chief operating executive, the president must be the leader of the planning and budgeting efforts. He or she must direct the creation of a formal planning and budgeting system, a planning and budgeting calendar, and of a planning and budgeting team (committee). The president is also the manager of the entire process including the translation of campus-created plans and budgets to trustees. He or she also must reflect trustee directives and policies to campus constituents. Trustees must be made to feel involved and useful but not dictatorial, while at the same time campus constituent groups must believe that their recommendations and requests are given thoughtful review and consideration.

The president receives the recommendations of key committees, reviews program plans, and ultimately determines the recommendations to be made to the governing board concerning plans and budgets. He or she must be willing to share some of the authority vested in him or her by the board in order to retain the support of constituent institutional groups. The president must also communicate to the institution the concepts of planning and budgeting to be followed. This will include the calendar of events, the decision-making process, the decisions made, and the budgets approved. Radical departures from the recommendations received must be carefully explained to concerned groups.

Some presidents are uncomfortable with open, participatory budget processes. When this is the case, there is usually a concentration of authority in the president's office; if budget committees are appointed, they are captives of the president's notions. Such a situation, of course, is unfortunate.

C. The Faculty

The nature of a college or a university makes the faculty preeminent in determining educational programs. Typically, faculties are well organized with bylaws of their own which delineate policies on tenure, sabbatical leave, personnel matters, and committee structure. Committees of the faculty on curriculum, educational policy, personnel matters, and libraries are usual. In larger institutions, faculty senates or faculty councils are elected to interface with the administration.

In developing institutional plans and budgets the faculty senate or council often is used to obtain appointments of faculty to key committees. The usual divisional structure (e.g., humanities, national sciences, social sciences, etc.) or the departmental organization (e.g., art, biology, chemistry, etc.) is used by the planning committee to develop program statements and budget requests for the academic area of the institution. Periodic presentations of plans and budget materials to the faculty is useful.

D. The Chief Business Officer

By the nature of the role of the chief business officer, the estimates of revenue availability and the mechanics of putting the budget together are his or her prime responsibilities. The professional knowledge and techniques required to conform to generally accepted accounting formats and object classification codes make this a technically difficult exercise which is best performed by the chief business officer.

The chief business officer is a key figure and resource person for the president and the finance committee of the governing board. He or she is often the person expected to work with the legislative committees involved in developing state educational budgets and allocations.

E. The Chief Academic Officer

The chief academic officer is expected to serve as a member of the planning and budgeting committee. He or she is also typically the senior administrator most directly involved with academic departments and faculty in developing their plans and budget requests. His or her role has usually been one of leadership rather than of technical performance; increasingly, however, academic administrators are also required to have financial management expertise.

F. The Planning Officer

The planning officer should be an energetic person who is respected by the various constituencies of the institution and one who is knowledgeable about its programs, personnel, and practices. He or she usually coordinates all of the planning and budgeting activities for the president. The development of the planning and budgeting calendar, the servicing of all committees in the processes, the keeping of minutes of meetings, the coordination of development of the data base for planning and maintaining communication with all constituent groups are responsibilities of the planning officer.

G. The Planning Team (Priorities Committee)

The senior administrative officers, several faculty members elected by their peers or appointed by the president upon recommendation by the faculty organization, and two or more students are typically the planning team. This committee is sometimes called the "priorities committee," sometimes the "planning and budgeting committee," and sometimes the "resource allocation committee." The president should serve as the chairperson and the planning officer as the secretary. This team is a vital element in the formal planning process. It serves as the body which determines the preliminary and final plans and budgets to be recommended to the president and to the board of trustees. The work of the responsible administrative heads and task force committees in developing assumptions and plan and budget summaries is reviewed and approved or altered by the planning team.

The political strategies and tactics employed by the president and the planning team to garner institutional support are important. Necessarily, the pace and style of each institution will have great influence here.

The pace at which an institution operates must be understood in order to gear the planning and budgeting processes to the flow of operational events and to the work habits of the various departments. In developing the planning and budgeting calendar, careful analysis of the institution's pace must be made. Only in this way can the data and program plan materials needed be completed for timely use in reaching planning and budgeting decisions.

The style of each college or university is also important. Some institutions are more formal than others; some are more open than others; and some expect considerable involvement by trustees. In every case, the planning and budgeting processes should be designed to fit comfortably the style of the institution.

Traditions are also important considerations in the planning and budgeting processes. The "sacred cows" of an institution must be known in order to avoid unnecessary political conflict.

In thinking about and understanding the principal people and their roles in planning and budgeting, one must remember that the size, the fact of being public or private, single-campus or multi-campus institutions, and the dictates of certain centralized systems can skew considerably the budget-making process. If, for example, a large public institution with several branch campuses ignored the branch campuses in the budget process, morale would be significantly damaged. Conceiving a system which ensures participation and clear communication in such a situation is challenging.

It is essential to develop some system which is generally accepted and to understand the roles of the key participants in the process.

H. The Students

Because students are the learners and consumers, they have an important role in planning. It is true that students extant on a campus at any given time are transitory, yet their reactions to curriculum content, their belief in the institution, and their concepts of society can mean much to the success of any plan. Students representative of the entire student body should serve on key planning and budgeting committees, and some technique for communicating with the student body should be developed.

BUDGET CUTTING

(Lecture Material)

BUDGET CUTTING

(Optional)

The game of instituting budget economies is fraught with peril. Yet most colleges and universities, even the strongest and most prestigious, are caught in a financial bind. Operating deficits are commonplace. Private institutions are pushing for state and federal funds while public institutions avidly seek private gift support.

Many people outside higher education--and even some inside, especially faculty and trustees--do not understand the fiscal complexities and the political sensitivities of colleges and universities. James Buchanan and Nicos Devletoglou in their book Academia in Anarchy state:

> University education, when examined through economists' eyes, assumes characteristics of a unique industry. This is because: (1) those who consume its product do not purchase it; (2) those who produce it do not sell it; and (3) those who finance it do not control it. Is it surprising that the orderly processes that seem to characterize standard commercial dealings seem to break down in universities?

Add to that the mysteries of fund accounting, and it is no wonder there are troubles.

The creation of a good budget for a college or university is not easy. The president of Princeton University stated during an interview, "We now see a good university budget as a thing of some beauty, into whose preparation many gifted and sensitive people have put not only hard work and unsentimental ruthlessness but a good measure of love of the institution and all it stands for. A good budget won't make a shaky institution strong, but a bad budget in times like these can make a strong institution shaky and destroy a shaky one."

Too often budget battles offer the only arena in which priority decisions about allocations are made. This is unfortunate. Budgets should always be policy-supporting documents. There should be an academic plan which delineates goals, objectives, and priorities so that allocations of resources can be made which will support attainment of the goals of the institution. It should also be remembered that significant new programs or shifts in institutional priorities often have budget impact over a span of several years.

The old truism called "Agnes Allen's Law," that almost anything is easier to get into than out of, holds for colleges and universities. It is the flow of events which is important. Continuous planning and budgeting for at least five years ahead is essential. Before getting into new ventures, a careful cost analysis should be made for the five-year budget period and no approval given until a plan for providing funds is in hand.

Because few colleges or universities have program budget systems which require a thorough annual review and analysis of all programs, many expenditure patterns are repetitive and often thoughtless. The fiscal crisis in American higher education can in part be partially attributed to the fact that planning is done haphazardly and management systems are seldom accepted. This same crisis may, however, be the catalyst which shakes up higher education and demands the development of management systems for knowledge organizations. Peter Drucker has written:

> Society must now find effective means for organizing and leading large knowledge organizations . . . . Organization is a maximizing device. And modern organization is our device to maximize that unique human resource, knowledge. This, however, requires the ability to stop doing what wastes resources rather than maximizes them.
>
> An organization, whatever its objectives, must therefore be able to get rid of yesterday's tasks and thus to free its energies and resources for new and more productive tasks, if it wants to be able to abandon the unproductive and to slough off the obsolete.

The conclusion one must draw if one agrees with Mr. Drucker is that a system to determine what is obsolete and unproductive must be developed at each institution. This, then, is the first and most important step in achieving budget economies--the institution and maintenance of a continuous planning process which evaluates results, eliminates the obsolete and unproductive, and ensures orderly change as the institution moves through time.

Before advancing to specific suggestions and concepts for achieving budget economies, something should be said about communication. Invariably, campus constituent groups feel that projected or announced budget cuts were arrived at in some behind-the-hand manner and that insufficient dialogue was held with committees of the faculty, students, and supporting staff. Knowing when and what to communicate are essential administrative tools for instituting budget economies.

Budget cutting is a new experience for most institutions. The affluence of the decade of the 1960s developed careless habits. Budget making was always approached with the notion of determining how much additional money was available to be allocated--never with the notion that any cuts should be made. Even now with the economic crunch which has come to higher education, most institutions have only had a slowdown in the rate of budget growth rather than an actual decrease in funds available. There will likely be more institutions faced with actual budget reduction problems in the years immediately ahead. This situation should raise difficult questions. How does one view the budget if it is to be cut? What is unproductive? In whose opinion? How can people be evaluated against things? Should cuts be made horizontally or vertically?

There we come to the key question. In most situations demanding budget reductions, the first reaction to the discovery is shocked disbelief. Among common responses are accusation suggesting that trustees are conservative misanthropes, that the business office staff has finally been exposed for the incompetents they are, and that the legislature or a major donor has simply got to put up more money.

Once this initial reaction is over there comes the feeling that only horizontal, temporizing budget reductions can be tolerated. Horizontal cuts are often first reactions of administrators who can't assess obsolescence or poor performance or who simply wish to avoid political problems. "Put us all in the same boat" is the syndrome. Across-the-board salary cuts and elimination of travel and fringe benefits are suggested.

Finally, it dawns on some that what must be faced is making deep vertical cuts in a limited number of areas which are obsolete or unrelated to present institutional goals. Horizontal cuts seldom speak to institutional good health, and carried to extremes produce uniform mediocrity. Imagine a surgeon dealing with an acute appendix problem by removing small amounts of tissue from many parts of the patient.

And now to specific suggestions. A reduction of staff is typically required in any significant budget cutting. In most college and university budgets, about 60 percent of all expenditures are for salaries and fringe benefits. It is difficult to avoid the elimination of people if permanent savings are to be achieved. In facing personnel cuts, evaluations of positions rather than personalities is the first step. Which jobs are the least essential? If the service to be eliminated can be absorbed by others, the job is surely expendable. After this determination, the talents and seniority of the incumbents in positions to be dropped must be reviewed. Transfers into other areas requiring similar skills are quite proper to preserve the best and most senior institutional employees.

One distinct advantage of sound and continuous planning is the lead time provided in making staff reductions. If the reductions are anticipated, natural attrition can accomplish many of the cuts with minimum trauma. A number of institutions have used job freezes over periods of a year or more to achieve reductions by internal transfers as attrition creates openings. Freezing jobs is not without problems. As normal attrition creates vacancies, there are not always personnel with the proper skills who can be transferred to cover essential functions. In the planning cycle, of course, the identification of the positions to be eliminated occurs and the implementation takes place as employees leave through attrition and budget and personnel shifts can be made.

A specific illustration may help here. Assume that your institution has an annual educational and general expenditure budget of $8 million and that 60 percent, or $4.8 million, is spent for personnel services. Further, assume that a 10 percent budget cut is required; finally, average compensation levels are $16,500 for faculty and $14,200 for nonfaculty. If an across-the-board salary reduction is made, faculty salaries drop to $14,850 and nonfaculty to $12,780. Clearly, the competitive salary levels being maintained prior to the cut are no longer competitive, especially if one assumes an inflation rate of 6 percent. The best faculty and the best staff members immediately begin looking for other appointments and morale generally sags. Even in a poor job market the best people in most organizations are mobile and can leave. As they do, the down spiral in the quality of the faculty and staff continues, because the levels of compensation have decreased to a point that good people are not attracted to replace those who leave. AV-13 AV-14

To achieve a 10 percent cut in actual dollars for personnel services would require total reductions of $480,000 in our hypothetical example. To achieve the same results by eliminating entire programs and whole people--hopefully the most obsolete programs and the least productive people--would require the elimination of 10 faculty and 22 staff it were assumed that there were two staff positions for each faculty position and the reductions in staff were proportionate Of course, vertical cuts of entire programs might or might not eliminate positions in such a neat proportion. In addition, many state institutions operate as a part of a civil service system which makes staff reductions difficult or impossible.

A more typical approach is to assign the appropriate senior administrator (e.g., the chief academic officer and the chief business officer) the task of achieving budget reductions in personnel costs. In our hypothetical case the faculty salary reductions would total $160,000 and the staff reductions would total $320,000. Of course, each of these officers would be asked to present recommendations on a priority basis with adequate rationale to the priorities committee and to the president for final approval and action.

No matter what the technique and no matter what the ultimate decisions, budget cutting is a difficult exercise. It is under such strain that many organizations really discover their true priorities, and their real ability to manage.

Before final decisions are made about personnel reductions in cutting a budget, a thorough and thoughtful review of all nonpersonnel and operating areas is in order. Even if the major reductions are achieved through personnel actions, these actions will have better acceptance and do less damage to morale if it is demonstrated that all nonpeople expenditures were considered first.

In a well-managed institution, operating systems and areas are under constant scrutiny. In most institutions a critical review of all budgets can reveal surprising inefficiencies. Some typical areas for examination are:

(1) The telephone system. An instrument-by-instrument review and analysis of telephone uses and locations should be completed. It is generally amazing to discover how many telephones are installed close to other telephones or for functions long since lost.

(2) Copying machines. Control and centralization are usually twin techniques which can achieve savings. Obviously, there will be great resistance to changing the easy access to copying machines. Typically, copyright and personal copying problems also surface.

(3) Inventories. All inventories should be examined against annual requirements and buying levels necessary for price discounts. Often significant shifts in inventory levels and the elimination of unrealistic diversities result.

(4) Subscriptions. All subscriptions to newspapers, periodicals, and magazines should be reviewed and their real uses verified.

(5) Memberships. All institutional membership should be reviewed for relevance in supporting institutional goals and objectives.

(6) Travel. Most educational institutions have relatively generous travel budgets. Professional meetings, public relations functions, fund raising, student recruiting, and workshops and seminars to improve professional skills are all functions for which travel allowances are provided. Certainly in times of fiscal exigency most of these funds can be reduced.

(7) Energy consumption. Much has been said about the national energy crisis. The local economic crisis for any single institution may make the careless use of energy critical. Most institutions can achieve significant budget savings by a thorough study of energy uses and the creation of carefully devised policies to limit and control energy consumption.

These are only intended as examples and by no means is this an exhaustive list.

Self-examination is usually beneficial. If each institution faced with the problem of budget cutting approaches the task with the feeling that it represents opportunity, results will be significant. Of course, care must be exercised and the cooperation of faculty, staff, and students must be obtained.

The colleges and universities which survive, in addition to being educationally valuable, will be well managed and fiscally solvent. The annual allocation of scarce resources must reflect an understanding of institutional goals and an awareness that balanced budgets are required as a part of the self-discipline of any institution.

INTRODUCTION TO FUND ACCOUNTING

(Lecture Material)

INTRODUCTION TO FUND ACCOUNTING

(Lecture Material)

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I. TYPES OF ACCOUNTS

Before getting into fund accounting we have to get a little bit into accounting in general and talk about some of the theories that relate to all financial accounting transactions whether we are thinking of a business enterprise, a college, a hospital, or what have you. Some of you may have heard of the term "the accounting equation." Let us see what that means.

A. The Accounting Equation

The accounting equation involves the balanced relationship among three kinds of economic representations. The first of these we call "assets." Assets are economic values that are owned by or under the control of the institution. They represent those things which we own, which belong to us, or which are in our custody for the benefit of others.

There are two kinds of assets. The first is cash and other types of assets that are convertible into cash, such as investments, accounts receivable, and so on. The other type of asset is represented by costs that were incurred at an earlier date which have not yet been attributed to a given fiscal period. Examples of this might be capital costs, depreciable equipment, buildings, inventories, prepaid expenses, deferred charges, and so forth.

Liabilities are the second type of economic representation, and, like assets, there are two kinds of liability accounts. The first of these represents amounts that we owe to organizations or individuals who are outside of the institution itself. There is one kind of liability that we will talk about later that is internal, one which is peculiar to fund accounting, but we need not get into that at this moment. In any event, liabilities represent amounts which we owe to others for a variety of reasons. Some of them may be amounts which are owed and must be paid in the near term or immediately. Other liabilities may be paid out over a period of many years. The other type of liability account is used to record what are known as deferred credits or deferred revenues. These represent amounts that have been collected in cash or were anticipated to be collected but where an earnings process has not yet occurred. So, until the earnings process occurs, we would carry this item as though it were a kind of liability.

The relationship between assets and liabilities or the difference between them produces the third kind of account, generally referred to as "net worth," "equity," "proprietorship," or any of a variety of different kinds of terms. Some people use the term "net assets" which makes a lot of sense because if you take assets and subtract from them the related liabilities then the net amount would be the net assets. In fund accounting you will hear the term "fund balance." So, in fund accounting we talk about assets minus liabilities equaling fund balance.

The relationship among these three kinds of accounts is the accounting equation. It is expressed in one of two ways. One is in the manner in which I already described it, that is to take all of the assets, subtract all of the liabilities, so that the amount left equals net worth. Algebraically we can transpose the liabilities and say that assets are equal to the total of liabilities and net worth. Another way of saying it is that everything we own or possess is either owed to someone else or owed to ourselves.

B. Real and Nominal Accounts

The accounts that are used in the accounting system to record asset values, liability values, and net worth or fund balance values are referred to as "real accounts." The reason why they are called that is because these balances carry forward from the beginning of the organization to its end or until that type of asset, liability, or net worth no longer exists. There is another set of accounts which are called "nominal accounts" and these nominal accounts are used to classify the types of increases and decreases in net worth. These accounts are used to supply more detailed information about the sources and uses of net worth throughout the year. For example, we might have increases in net worth which arise as a result of sales or as a result of gifts, or as a result of endowment income. We might have contributions to capital which have been received. As to decreases in net worth, we would have expenses which have incurred losses in investments and so forth. Each of these different kinds of increases and decreases in net worth then is classified in the system. Since these accounts expire at the end of a given fiscal period and then are created all over again they are called "nominal accounts."

In most cases financial statements deal exclusively with real accounts or nominal accounts. There are special types of reports that may deal with elements of both at the same time. Going back to the equation we can then say that assets minus liabilities equals net worth or fund balances and that fund balances are changed by increases or decreases or, if you will, by income and expense. Income and expense are the nominal accounts.

A term you must have heard in the past is that of "double entry bookkeeping." Of course the whole concept behind this accounting equation is that for each economic event which is recorded there is a balanced set of entries that are made to record the event, and therefore for each activity we have what is known as a "debit" and a "credit." At all times the system must balance so that all debits equal all the credits. The total of all of the assets, likewise, must be equal to the total of all the liabilities and net worth in the system.

II. TYPES OF FUNDS

A. Restricted and Unrestricted

What I have been describing so far is the theory that underlies all accounting and is applicable to fund accounting as much as it is to any other kind of accounting. What needs to be understood, therefore, at this point is why we have such a thing as fund accounting. And here I think we should look at underlying cause and try to examine it and understand it.

Nonprofit organizations, of which colleges and universities are one kind, share in many cases a common characteristic which business enterprises do not have. That is, they are the recipients of gifts, grants, contributions, appropriations, and so on which by direction of the source of these funds are restricted for particular purposes, functions, or activities. For example, a donor may give a gift to a college wherein the donor specifies that the gift is to be used only for scholarships. This "restriction," as we call it, is one which is legally binding on the institution and the institution has no power to use that money for any purpose except scholarships. The fact that it already had a scholarship program and that this will simply help to finance what it is already doing is irrelevant. The main problem that we must cope with is the fact that this many dollars must not be used for any other purpose except scholarships. Someone else may provide money to an institution in which the donor specifies that the money itself cannot be expended but the income from investing the money may be used. That, too, would be a form of restriction which could be imposed by a donor.

Now, what do we mean by restrictions imposed by a donor? We are talking about a condition which has two very important characteristics that distinguish these kinds of limitations from self-imposed limitations established by the governing board or other kinds of conditions that characterize the relationship between the donor and the grantee which are not restrictions. The first of these characteristics is that the restriction must be set forth in writing or must be related to a representation that was made in writing. The second is that the language used in the written instrument must be restrictive language. Restrictive language is characterized by words which would indicate a command, or a demand or establish an absolute limitation. There is another kind of language which the law has characterized as being precatory language which is contrasted with restrictive language in that it represents a wish, a desire, or an entreaty, but is not restrictive. That difference in language becomes a paramount issue when reading documents to determine whether or not a restriction exists.

If that kind of restriction actually does exist, if the documentation is there in writing, and if the language is appropriately restrictive, then we have a condition which cannot be changed by the institution acting alone. In some jurisdictions even the institution and the donor together may not collectively change the restriction once the acceptance has occurred of the resources by the institution with restrictions imposed. The elimination of this restriction or the redirection of the resources into a related kind of activity can only be accomplished through either an informal or formal application of the doctrine of cy pres. This procedure involves the attorney general of the state representing the people, and the court in formal proceedings.

Sometimes the donative instruments use language which is ambiguous, or the original documentation is missing. Legal review is almost always required in such circumstances. At times relief may be required through the courts which would entail seeking a declaratory judgment.

With these concepts and understanding of restrictions, then, we can see that it is very important to distinguish between those resources that are truly restricted and those that are not truly restricted. For example, the governing board, and in some cases the administration, may establish limitations on how unrestricted funds shall be used. As a matter of fact, one way of considering the budgeting process is exactly that sort of thing. That is to say, when one establishes a budget, we say that whatever revenues are going to be derived during the year are going to be spent in a certain fashion. Management thus has established limitations or designations concerning how these unrestricted resources are to be used. Other kinds of designations of unrestricted resources might be made today for use at some later date far in the future.

In any event, the distinguishing characteristic which is important to us is that designations of unrestricted resources that are made by the governing board or the administration are reversible by the governing board and require no external permission, action or otherwise. Cy pres, then, relates only to externally restricted funds and not to internally designated funds. The maintenance of the distinction between these two conditions is a paramount burden placed upon the fund accounting system. As a matter of fact, there have been more problems in this area created by virtually every college and university in the country than one likes to think about. We have seen many examples of the misapplication of these concepts. Typically more amounts are deemed to be restricted than are legally restricted. As a result, the prerogatives of the governing board are preempted. This is a good example of where misinformation can hurt the management process rather than support it.

B. Fund Classifications

Now we should take a look at how the various types of restrictions and designations are classified as new resources are received by the institutions.

Chart 1

1. Ownership vs. Agency Relationship

On entry of new funds to the institution the very first question that needs to be asked is whether or not the resources actually belong to the institution. If they don't, then we have what are called "agency funds." Agency funds represent assets held by the institution on behalf of others. They represent liabilities for amounts due to outside organizations, or students, or faculty, which will be paid out on their instructions for purposes which are not part of the normal operations of the university. There is a tendency among some institutions to use the agency fund classification as a place to classify funds that they would like to use outside of the normal budgetary constraints of the operating system. There is a need to question the agency classification so that misuse is avoided, and so that liability under the law of escheats is not inadvertently incurred.

2. Restricted vs. Unrestricted

Let's assume that these are funds that are owned by the institution and are not being held for others. We would then go down that track which leads us to the next decision branch. And the question raised here is related to the basic issue of fund accounting, namely, are the funds restricted by the outside source or are they unrestricted? If they are restricted, then we need to know the nature of the restriction since there are a variety of restrictions which can be imposed.

3. Expendable vs. Nonexpendable

The first kind of classification of restriction that can occur is one which determines whether the money contributed can be spent at all or whether it is what we call "nonexpendable," namely, that the money cannot be expended. Let us assume for the moment that in this case the money can be spent; then the question is: What is the specific purpose, function, activity, or object for which the expenditure would have to be made? If the purpose or character of the expenditure is such that it would be a part of normal operations, then we would classify it in a category that would enable us to relate it to current operations. If, on the other hand, the restriction is that the money must be spent to acquire land, buildings, equipment, or other types of capital assets, then we would classify it as part of the plant funds of the institution.

Now, looking at the nonexpendable categories, we have again several types of restrictions that are different from each other. One is the classical one which says that the money cannot be spent but must be invested and only the income can be used. If so, we have what is known as an "endowment fund." We will talk further later about the nature of different kinds of endowment funds. Keep in mind, too, that the income itself when earned represents a new source of funds, and we have to go through the same decision "tree" there. Is the income unrestricted? If the income is restricted by the donor as well as the principle having been restricted, then again we would have to determine the same thing about this source of funds as any other.

Going back now to what the nature of other types of nonexpendable restrictions might be beyond the endowment, we have another kind of restriction which indicates that the money cannot be spent but must be loaned to students or faculty. The concept here is that the money will be loaned and then the borrower will repay and the same resources can then be reloaned to other borrowers. Hence it is considered a nonexpendable fund. Another kind of nonexpendable fund, of course, is the annuity fund or life income fund. This is where the condition exists where the donor provides money to the institution with instructions to pay either a certain amount of money (in the case of an annuity fund) or the income from the earnings of the investments of the fund (in the case of a life income fund) to an outside party for a period of time. It may be for the life of a person or it may be for a greater or lesser length of time.

All other funds which are not restricted by the donor are, by definition, unrestricted. All unrestricted funds must first be considered to be available for current operating purposes. And you will see later that all unrestricted funds are first recognized as revenue in that fund group. On the other hand, the governing board can and often does allocate unrestricted funds for a variety of different purposes. Hence we can have unrestricted funds which are designated for particular current operating needs. We can also have unrestricted funds which are designated by the governing board for long-term investment to produce income in a manner similar to endowment funds. The governing board may decide to expend unrestricted funds for plant acquisition purposes in the same manner as restricted funds. There are no designations which are analogous to the annuity and life income funds. However, there is a situation which is analogous in the area of loan funds. Again, the governing board must set aside unrestricted money for this purpose.

Now, as one can see, while there are funds which are restricted by outside donors and other organizations, there are also internal designations of unrestricted funds which are intended for the same purpose. Hence, the reporting concept has been developed in college and university reporting, and we will see it in the illustrated financial statements, whereby funds which are either restricted or designated for like types of activities are classified in a group which has a name indicating that kind of purpose. However, within each one of these groups there is the important requirement to distinguish between those amounts that are classified there by reason of restrictions imposed by donors as opposed to those amounts that are classified there as a result of designations by the governing board.

III. SELECTED ACCOUNTING PRINCIPLES

A. General Concepts Already Defined

Fund accounting, first of all, utilizes the basic accounting equation and real and nominal account relationships that were described earlier, and then uses the fund classifications that have just been described. With both of these concepts in place, we can begin to define some terms that are important and part of the basic principles that underlie the accounting classifications and the reporting concepts that are used.

B. Fund and Fund Groups

A fund is an accounting entity with a self-balancing set of accounts consisting of assets, liabilities, and a fund balance account as well as nominal accounts which will measure the increases and decreases in the fund balance. Separate funds are set up to account for the financial activity related to a particular restricted donation, source of restricted funds, or designated amount established by the governing board. The reason these accounting entries are established is to ensure observance of the restrictions imposed by donors and the limitations on the use of unrestricted funds which have been established by the governing board. For many purposes, however, funds of like designation and restriction are grouped together for reporting purposes, and for purposes of efficient management. Very often the assets of like kinds of funds are commingled in one set of asset accounts. Similarly liability accounts related to those assets may be merged. Still there would be a series of individual fund balances for which we have to perform a separate accounting. The total of all such assets would be in equilibrium with the total of all such liabilities and the total of all of the fund balances to which they relate. This grouping together for accounting and reporting purposes produces what we call a fund group. It is important to keep in mind that within each fund group we have to continue to distinguish between the balances of funds which are unrestricted and those which are externally restricted. Within the restricted subgroup we have to account for each separate restricted fund balance.

I have mentioned the term "accounting principles." These are the standards which define how economic transactions are to be classified and reported. Recognition of proper accounting principles is important. In fact, that is one of the things you must look for when you are reading a financial statement which has been audited. You should see in the report of the auditor reference to whether or not the financial statements that you are looking at have been prepared in accordance with general accepted accounting principles. If there is some exception to that or denial that such a condition exists then you have a problem in terms of being able to use this financial statement in a meaningful fashion.

C. Accrual Basis of Accounting

One of the generally accepted accounting principles which is of paramount importance in fund accounting as well as other types of accounting is recognition of the accrual basis. Accrual basis is contrasted, generally, with the cash basis of accounting. In the cash basis of accounting we record only such transactions as are evidenced by cash coming into the organization or cash going out. For example, we would only recognize an asset when we had collected cash and therefore would only recognize having an increase in the fund balance when we had collected cash. Similarly, we would only reduce the fund balance and reduce our assets at such time as we made the cash payment. Virtually nothing else would be accounted for. This cash basis is not satisfactory for most reporting and management purposes and therefore there has been developed what is known as the "accrual basis of accounting." The accrual basis calls for recognizing increments to the fund balances (recognize revenue) when the amount is earned. We recognize expenses and other types of deductions when the goods or services have been used up. We recognize as an asset amounts that have been received which have a continuing value (unexpired costs) even though we may have not made payments for these amounts.

The objective of accrual basis accounting is to provide a more satisfactory matching of revenues and other additions to fund balances and expenses and other deductions from fund balances in the accounting period to which the financial statements relate. In other words, we are trying to determine the real economic effect of what has occurred during a given time period rather than simply how much cash was received or disbursed.

D. Interfund Accounting

Another accounting practice which is important in fund accounting and does not have any real parallel elsewhere has to do with maintaining the integrity and self-balancing characteristics of the individual funds. This becomes a problem from time to time when cash is used for the benefit of one fund but belongs to another fund. Let us assume, for example, we had a scholarship fund of $10,000 and had $10,000 in the bank for that fund. Let us also assume that in our unrestricted current fund we had another $10,000 which was available for any purpose we saw fit. Assume that the institution made a payment of $1,000 to a scholarship recipient and that it was made out of the unrestricted current fund bank account, but the intent was to use the restricted scholarship fund. If we were to reduce the fund balance of the scholarship fund and reduce cash belonging to the unrestricted current fund, both of those funds would be out of balance. That is, their assets would not be equal to their liabilities and fund balances when looked at separately. In the fund which has made the disbursement which has given up the cash, therefore, we would set up an asset account representing the amount due from the fund which is to finance the activity ultimately. This places the unrestricted current fund back in balance again. In the restricted fund which is to be used for scholarships, we would set up a liability for the $1,000 which had been paid on its behalf and would charge the fund balance to represent using up that much of the restricted fund. Again, that restricted fund would now be in balance and we would then have an interfund receivable and payable. The interfund receivable and payable would be extinguished by a transfer of cash.

E. Other Principles

There are a number of other accounting principles which are important and might help you to understand better what the financial statements mean but they are best explained as we look at the financial statements themselves and examine each of the captions.

IV. CHART OF ACCOUNTS

The "chart of accounts" which is used in the accounting system is nothing more than a way of classifying each and every one of the transactions that are accounted for in the accounting system. It is a system of classification and the rationale for the classification is related to the concepts that we have already talked about, that is: (1) the accounting principles with respect to the proper classification of economic phenomena, and (2) the reporting needs of management and external parties which call for a segregation of different kinds of transactions so that they may be aggregated and reported in a simple manner.

The chart of accounts, then, is the means by which we classify all data going into the accounting system so that it can be retrieved easily and accurately. In Section 5:6 of Part 5 you will see a description of what the chart of accounts of a typical college may have to provide for in the way of different kinds of classifications. Furthermore, the information contained in this section of Part 5 relating to the chart of accounts is useful to help you to understand better what some of the underlying accounts are which are aggregated into the summary totals described in the financial statements we are going to be looking at.

The accounting systems that most of you are familiar with usually involve both an alphabetic designation of the account name, which you can read, as well as a numeric or alpha-numeric designation of the account which can be used for encoding purposes. This arrangement allows the system to work with a numerical reference or shortened reference for an account rather than working with a very long rational name.

One of the important things to keep in mind is that the purpose of the chart of accounts is to assist you in finding discrete kinds of transactions. So there are no arbitrary rules to follow, but rather only those that make sense in terms of how much and what kind of classifications of information you need to be able to report. In a very real sense the only time that you can satisfy yourself that you know exactly what your chart of accounts should look like is when you have satisfied yourself as to what your informational needs are. The informational needs of many colleges and universities are the same in certain respects, and particularly with respect to the production of the basic financial statements that we will be looking at. This is not a real problem. The problem arises when one is talking about management reports which are related to the peculiarities of each institution. Here, even though again there are many similarities, there are many differences, and, thus, a tailoring of the chart of accounts to one's own needs is very important.

For those of you who have no accounting background at all the concept of the chart of accounts may still appear to be somewhat confusing. One easy way to think of a chart of accounts is that it is very much like a cataloguing system in a library. The numbering system is such that it should help you to find a book or a periodical based on your knowing at least something about that publication, either its author or its title or the subject matter. The numbering system, then, is the means of locating and retrieving that particular book. It is the means also that is used to file the book. In the same manner, the chart of accounts is the means of encoding each transaction so that you can put it on a shelf, or put it in a box, however you like to think of it, and then be able to go and get it back, use it, and then put it back in storage again.

V. TYPES OF FINANCIAL STATEMENTS

I made a brief reference earlier to the fact that there are two kinds of accounts--real accounts and nominal accounts. Real accounts represent assets, liabilities, and fund balances. Nominal accounts represent increases and decreases in fund balances. And so, too, we have two basic kinds of financial statements. One kind of statement tells the status or where the institution is at a given point in time or another point in time. The status of the institution is generally expressed in terms of its real accounts. That is, as of the end of business yesterday, what the assets were that you owned, what the liabilities were that you owed. and the difference between them which is expressed as the amount of the net worth or fund balances.

Another kind of statement is one that covers the operations or financial activity during a fiscal period. A fiscal period is an accounting period or a period of time beginning on one date and ending on another which is being reported on. Therefore, a fiscal year would be a twelve-month period which would begin on any date and end twelve months later. Most colleges and universities use a fiscal year that begins on July 1 and ends on June 30. So, a report on financial activity that covers the fiscal period may cover a day, a week, a month, six months, a year, what have you. The basic financial statements that we are going to be looking at will include statements covering financial activity for a twelve-month period representing the fiscal year.

There is another type of financial statement which also covers financial activity but it attempts to tell the reader how the assets and liabilities themselves changed as contrasted with the fund balances. This is referred to as a "statement of changes in financial position." Thus, in business enterprises we see reference to three financial statements--a balance sheet, a statement of income and changes in surplus, and a statement of changes in financial position.

In fund accounting, particularly in college and university fund accounting, which is somewhat different from other kinds of fund accounting, one of the statements which sets forth the increases and decreases in each of the fund balances is so structured that there is little left that would be reported in a statement of changes in financial position, and therefore that type of statement is not generally used. On the other hand, there may be some activity which should be reported and has not been disclosed in any of the statements, and that can be taken care of at times in the notes to the financial statements or the statements would have to be enhanced with another presentation covering changes in financial position.

The discussion earlier concerning how to determine the form, content, frequency, and distribution of reports focused on the fact that one of the independent variables which determines the answer to those questions is the hiearchical structure of the institution's organization. We talked about the pyramidal relationships and the relationship of scope to detail, and so forth. If you will recall, I mentioned that at the top of that pyramid we had those persons who had the need for information covering the greatest scope of activity, but calling for the least amount of detail. Statements that treat with the institution as a whole and provide that minimum amount of detail and disclosure which is considered necessary to meet generally accepted accounting principles are called "basic financial statements," or "general purpose financial statements." These are the types of statements that we are going to be looking at in our discussion of Part 5 of CUBA. Later we will be talking about other kinds of reports that are more useful for management purposes and relate to various levels of the organization structure.

VI. REVIEW OF THE BASIC FINANCIAL STATEMENTS IN COLLEGE AND UNIVERSITY BUSINESS ADMINISTRATION

If you will now turn to Section 5:7 of CUBA you will see the illustrative financial statements that we will use in this discussion. The reason why we go over these financial statements is to help you to understand better the accounting concepts that are involved, to explain some of the terms that are most commonly found, and to illustrate some of the other important accounting principles that are involved in fund accounting for colleges and universities.

A. Interrelationships of the Three Basic Statements

The first thing that is important for you to understand is the relationship among the financial statements that are illustrated and the concepts involved in their structure.

There are three statements illustrated here. The first is the balance sheet. The balance sheet, as you can see, contains all of the assets, all of the liabilities, and all of the fund balances, that is, all of the real accounts that are in the accounting system for the institution as a whole. When I say "all of them," I mean all of the financial resources for which the governing board is fiscally responsible. The balance sheet, of course, is a report as of a point in time, as of a given date. When you see two columns as we see here, we would have two dates. The second column is there as a point of reference. As a matter of fact, in all of financial reporting one of the important criteria is the concept of relativity. That is, we report some information about the present in relation to some kind of standard. Very often the standard that is used is the status which existed at the same date a year earlier in time.

The second statement, which is headed "Statement of Changes in Fund Balances," is set up in columnar form in which there is a separate column for the various fund groups. The purpose of this statement is to show the gross additions to and gross deductions from each of the fund groups, to account for any amounts which may have been transferred from one fund group to another, and to report the net change in fund balances for the year for each of the fund groups, and then to show the beginning balances to account for the ending balances.

We might take a minute and look at the beginning and ending balances that are at the bottom of the statement of changes in fund balances and take some of these figures and trace them back to the balance sheet. For example, if you look at the bottom of the first column you will see the beginning and ending of fund balances of unrestricted current funds which amount to $455,000 and $643,000, respectively. If you now turn back to the balance sheet, you will find those amounts shown on the liability side opposite the term "fund balance" under the heading of "current unrestricted funds." Of course, the beginning balance on the statement of changes is last year's figure of $445,000. The ending balance is this year's balance sheet figure of $643,000. You might wish to do that for each of the fund groups that are shown in the statement of changes and fund balances and the balance sheet.

The important thing to keep in mind is that the balance sheet shows amounts for each of the fund balances for each of the fund groups. The statement of changes in fund balances reports all of the activity that resulted in changes in those fund balances during the year. For each different type of addition or deduction or transfer there is a separate line caption. That means that within the accounting system there is a separaate classification to record the transaction in that manner so that they may be reported separately in the statement. Again, we are dealing at the moment with all of the funds, all of the fund balances, but only with fund balances. We are not dealing in this statement of changes in fund balances with any assets or liabilities.

The third statement is entitled the "Statement of Current Funds, Revenues, Expenditures and Other Changes." This is a statement which covers the activity from the beginning to the end of the fiscal year, and basically is an explosion in detail of information which is shown in a too highly summarized fashion in the statement of changes of fund balances. This third statement relates to current funds only and to transactions that have affected the fund balances of the current funds. It has no relationship at all to assets or liabilities and has no relationship to changes in funds other than current funds. To see that relationship you can look at the bottom of the statement of current funds, revenues, etc., and see that the final figure in each of the first two columns is the same as the net change for the year which is shown in the two first columns of the statement of changes, namely, $188,000 and $25,000 respectively.

There is one other characteristic of this third statement which is unusual and confusing to many, but not unlike practices followed by hospitals, for example. This gets into the whole concept of the accrual basis of accounting.

I mentioned earlier that we have certain kinds of funds that are provided to the institution that can be expended for purposes that would be classified as "current operating activity." These funds, then, are classified in the group which is called "current restricted funds." When the amounts are received, they are accounted for as additions to those funds, and such additions would be reported in the statement of changes in fund balances and the difference between those two different kinds of transactions and any transfers produce the net change in fund balance for the year.

When we look at the statement of current funds, revenues, expenditures, and other changes, we see something which is a little bit different insofar as revenues are concerned. In this statement we attempt to match pure revenues with expenditures and other transactions in order to derive a more meaningful and useful report employing the accrual basis concept with respect to operations for the year. In this case the concept exists that you have not earned a current restricted fund until that fund has been expended for the purpose for which it was restricted. In other words, we do not have a revenue from current restricted funds until we have expended those funds. It is not at all unlike the deferred credit concept which exists in business enterprises where a business may receive money from a customer in advance of having rendered the service. When receiving such monies they would be treated as a deferred credit. As the services are rendered and the expenses incurred these amounts then would be taken into revenue. This reporting convention gives the statement preparer a better basis of matching revenues and expenses. This is one of the objectives of the accrual basis of accounting. The confusing thing here, of course, is the fact that instead of dealing with these resources as though they were liabilities in the first instance, as do business enterprises, they are treated as though they were fund balances and hence this seeming conflict between the two financial statements.

Suffice it to say that, as you go down to the bottom of the third statement, there is an adjustment that needs to be made which represents the difference between the additions to current restricted funds for the current year and the amounts earned, and therefore reflected in revenue. This amount for the current year in the statements we are looking at would be the difference between $1,094,000 of additions and $1,014,000 recognized as revenue, or $80,000. Another transaction--indirect costs recovered--reduces current restricted fund balances but is not reported as a current restricted fund expenditure, since it is an application of such funds to current unrestricted fund revenues. The amount is shown on Exhibit 2 as $35,000. The difference between $80,000 and $35,000 accounts for the $35,000 reported as excess of restricted receipts over transfers to revenues in Exhibit 3. As a result, Exhibit 3 does come back to the same changes in fund balance amount as is shown in Exhibit 2 for current restricted funds.

The real purpose of this third statement, then, is to provide a greater degree of detail about the sources of current funds revenues and the functions for which current funds were expended. In fact, again, one of the basic accounting principles involved is that at this level of aggregation revenues are to be reported by source and expenditures by function. This statement also achieves another purpose and that is that it enables the reader to see what the total financial activity for current funds was during the year. This is accomplished through the columnar presentation whereby the current unrestricted funds and current restricted funds revenue, expenditures, and other changes are combined in a total column. A total for the preceding year is provided for the purposes of comparison.

It is interesting to note that this third statement may be treated in a totally different manner. For example, if you keep in mind the fact that there are certain disclosure requirements here that we are trying to achieve, then the format of the statement is less of a mystery than it might be otherwise. For example, if the details as to sources of revenue were reported on separate lines in the statement of changes in fund balances, instead of reporting one single amount as is illustrated, it would be possible to eliminate the section on revenues in Exhibit 3. Exhibit 3, in turn, could be used to provide only the required itemization of the expenditures by function for the unrestricted, restricted, and total current funds. The only remaining requirement that would exist would be to tell the reader how the current restricted fund expenditures were financed. That information could be either shown as a tabulation at the bottom of Exhibit 3, or it could be shown in the notes to the financial statements. The purpose of this discussion, therefore, is to highlight the fact that it is the information content that is important, not necessarily the precise format. The format illustrated in Part 5 is a useful one, and one which is widely understood and widely used, and therefore we use it for purposes of this discussion.

And now let us take a look at the details of these financial statements.

B. The Balance Sheet--Current Funds

The balance sheet, as you can see in Exhibit 1, contains all the assets, liabilities, and fund balances. They are arranged side by side in a horizontal fashion for each fund group throughout the statement. This form of presentation enables you to look at the assets and liabilities and fund balances of each fund group separately, and it also allows you to see in juxtaposition with this year's amounts the amounts that pertain to a year earlier.

The first major fund group that we see is headed "Current Funds." And then you can see that within the current fund group we have a distinction between unrestricted current funds and restricted current funds. You might think back now to the chart we were looking at earlier which showed the division between restricted and unrestricted resources and the fact that we would have restricted amounts that could be used in particular for current operating purposes, and that we have all unrestricted funds which are available for current operating purposes, and that these two are grouped together. Therefore, this is the group that is called the "current fund group" with its subdivision of unrestricted and restricted.

The assets consist of those kinds of things that we would think of generally in business enterprise terms as "working capital." These represent the liquid assets or unexpired costs that pertain to day-to-day operations. The assets include such items as cash and investments which are pretty self explanatory.

The most frequently used basis for carrying instruments is that of historical costs, or, in the absence of cost, the fair value of the asset at date of donation. If the institution chooses, it may follow the market value method of accounting, whereby the carrying values for investments are changed from reporting date to reporting date to reflect changes in current market values. If this procedure is followed, then all investments of all funds must be accounted for in that fashion.

Another asset we see here is "accounts receivable." One of the accounting principles involved is that such assets should be stated at their realizable amounts. So you will often see the notation, as here, of accounts receivable less allowance for doubtful accounts of a certain amount, and then the net amount is extended.

Another kind of asset we see here is "inventories." This is one type of unexpired cost that I referred to earlier which represents economic values which will have utility in the next succeeding year or so. Inventories of consumable supplies and for resale are included here. In the case of certain inventories, they are carried at the lower of cost or market value. Cost must be determined on some acceptable basis, such as first-in-first-out, average cost, or last-in-first-out.

Prepaid expenses and deferred charges would be representative of items like prepaid insurance, for example, where an insurance policy premium covering more than one year has been paid in advance. The portion of the premium which has expired during the year is written off to expense. The unexpired portion of the premium relating to coverage which still remains to be used by the institution is carried as a prepaid expense.

The liabilities of current funds are fairly self-explanatory. The accounts payable and accrued liabilities represent amounts that have to be paid out to vendors and others who have provided goods and services to the institution and for which the institution has not yet made a cash disbursement. Students' deposits would represent amounts deposited by students that may be applied against their tuition at a later date, or may be refunded to them, depending upon the circumstances. Deferred credits would represent amounts that had been received in advance by students during registration which upon registration and beginning of classes would then be taken in as revenue and therefore would become an addition to the current unrestricted fund balance in that year. This again is another indication of the accrual basis of accounting at work.

The fund balance is separately shown on the statement and is shown in this case as a single amount. If the governing board has designated portions of unrestricted current funds to be used for particular current operating purposes, it may be desirable or necessary to subdivide the fund balance between that portion which is designated and that portion which is undesignated. The important thing to keep in mind here is that such a designation should never be mislabeled as a restriction for all of the reasons that I described earlier.

The assets and liabilities of the current restricted fund group, of course, would be very similar in nature to the assets and liabilities of unrestricted current funds. The same decision rules and practices would pertain with respect to the valuation of investments, and accounts receivable. Unbilled charges are amounts which will become accounts receivable when billed, and usually relate to contracts and grants. It is in the fund balance area that we see our first difference, and that is that the plural term "fund balances" is used as opposed to the singular "fund balance" which is used in the unrestricted current fund. The reason is that in current restricted funds we are talking about a grouping together of fund balances, but since each one is still a separate accountability, the accounts of the institution must maintain a fund balance account for each different source and restriction. In the unrestricted current fund, there is need for only one fund balance. Any other fund balances would simply be segregations of the larger fund balances. Such segregations would reflect designations by the governing board.

C. Statement of Changes in Fund Balances--Current Funds

You might want to go now to the statement of changes in fund balances (Exhibit 2) and look at the kinds of transactions that affect the current funds. As we look at the first two columns of the statement of changes in fund balances we can see that there isn't an awful lot of information here, as I mentioned before, because there is a great deal more detail which is supplied by the third statement. We will take a look at that as well. But before going to that, it is important to see that basically we have in the restricted column sources of funds illustrated which tell where the various sources are coming from. These source categories are the same as the source categories used for unrestricted current funds except that, as noted in the statement, the amounts are restricted.

D. Statement of Current Funds Revenues, Expenditures, and Other Changes

1. Revenues

So, let's take a look at the third statement as well (Exhibit 3). Here we can see the various sources of revenue. We have tuition and fee income, which are the amounts that have been earned by reason of services rendered to students. We have appropriations received from federal, state, and local governmental sources, as well as grants and contracts from those same sources. Private gifts, grants, and contracts represent another source. We also have endowment income which is the income generated by the investments of endowment and similar funds. Other sources of income include sales and services of educational departments as well as sales and services of auxiliary enterprises. If we had a hospital, the sales and services of the hospital would be shown separately. There may be certain other institutional activities rendering unique services which would be separately accounted for, or accounted for as a separate source.

There is one other thing that is important to look at here, although it is not a widely seen phenomenon, and that is the revenue item of $40,000 represented by the expired term endowment. We will come back to that at a later point, but suffice it to say that this is an indication that something has occurred with respect to an amount that had been an endowment fund and now is an unrestricted current fund.

Keep in mind that all unrestricted resources which are earned by the institution or come into the institution for the first time are accounted for initially as unrestricted current fund revenue. By contrast, then, all amounts which are restricted are accounted for initially in another fund group depending on the nature of the restriction.

2. Expenditures

Now, if we look down the line at the current fund expenditures, we can see that the expenditures are classified in accordance with the major functions of the institution, namely, institutional research, public service, and the various supporting services that are related to them. Auxiliary enterprise expenditures are shown separately, and so would hospital expenditures be shown separately. In addition, you will see reference to another kind of transaction which requires some description, and that is the mandatory transfers.

On the statement of current funds, revenues, expenditures, and other changes, mandatory transfers are shown together with but as a separate item from the current fund expenditures. On the statement of changes in fund balances, mandatory transfers are shown in the transfers section. But looking back to the revenue statement again, we can see that the mandatory transfers are also divided between those that relate to the educational and general programs of the institution and those that relate to the auxiliary enterprises. Similarly, a separation would be made for those that relate to a hospital.

3. Mandatory Transfers

A mandatory transfer represents an amount of cash which is to be transferred from the unrestricted current fund, in this case, and will go to that restricted fund for which the transfer is made. In most cases, the transfer is mandated by a debt instrument such as a bond indenture, which requires a setting aside periodically of amounts to cover principal prepayment, interest expenses, as well as the accumulation of certain reserves for renewal and replacement that are required by the bond indenture. These required amounts are transferred to the plant fund group and accounted for and expended from the plant fund group. By making the transfer, the amounts are deducted from current funds. In this case, of course, the amounts deducted are unrestricted, but when they are accounted for in the plant fund they are classified as restricted amounts because they are placed there by reason of the legally binding instrument.

Another kind of mandatory transfer which is illustrated here is the matching requirement under the National Direct Student Loan Program. The loan fund matching grant requirement in this case is being financed from the unrestricted current fund and the mandatory transfer is to the loan fund group. In the loan fund group the amount transferred would have to be classified as a restricted balance.

4. Nonmandatory Transfers

Now there are other kinds of transfers which you can see on both the statement of current funds revenues which are distinguished from mandatory transfers by the general title of "Nonmandatory Transfers." These amounts are discretionary in nature, are transferred at the direction of the governing board. Almost always they are amounts which are unrestricted and are moved from one major fund group to another major fund group to reflect designations by the governing board. Here again, when unrestricted current funds are transferred on a nonmandatory basis to another fund group, it is imperative that the tag "unrestricted" is carried along with it so that when it is reported in the other group the reader knows that that amount transferred can be reversed. And that, of course, is the real distinction between the mandatory and nonmandatory transfer. That is, the mandatory transfers, once made in accordance with the bond indenture, can never be reversed since they must be used exclusively for the purposes of serving the debt.

5. Other Changes

There are several other kinds of changes, primarily, in this case, deductions from restricted current funds which must be reflected in both of these statements in order to arrive at the current ending fund balance. One of them is the accounting for the indirect costs incurred by the institution which have been recovered from funding sources. The primary source of this kind of cost recovery, of course, is federal funds which are used to finance various sponsored research, training, and other types of activity. Indirect cost recovery may occur from sources which are not federal. Whatever the source of recovery, then that is the revenue source which is used to account for the amount of the indirect cost recovery. The tricky part here is that when the amounts of indirect cost recovery are first received. they are part of the larger amount of the grant which the institution gets, and this total amount is first accounted for, as I said before, as an addition to a restricted current fund. The indirect cost recovery, however, is not looked upon as an expenditure of a restricted fund but rather as an allocation of that amount of money into unrestricted current fund revenue for the purpose of reimbursing the institution. So, we have to do two things. One of them is deduct the amount from the fund balance in restricted current funds, and that can be seen as a separate line item on the statement of changes; and then we must pick it up as revenue in unrestricted current funds. Although that amount is not separately labeled, you can trace it because, if you look at the federal, state, and local grants and contracts amounts in the unrestricted column of the revenue statement, you will see that those three figures total $35,000 which is equal to the amount of indirect cost recovery deducted from the current restricted fund balances. We would also have a situation that calls for a refunding to a grantor of an unspent amount of a current restricted fund. That is another kind of deduction which is shown separately in both of these statements in the amount of $20,000.

If we look back at the column in both statements which relates to the unrestricted current fund, we see a couple of other kinds of nonmandatory transfers that are somewhat typical, particularly in institutions that rely on gifts and endowment funds for their well-being. First of all, we have a transfer of a nonmandatory character of amounts labeled as represented by unrestricted gifts that have been designated by the governing board to be used for other purposes. In one case, we have an amount which is going into the endowment and similar fund group which is representative of that kind of designation whereby the institution itself decides to set unrestricted funds aside for the purpose of producing investment income. And that has a separate title, which we will talk about later, namely, the "quasi-endowment fund." We also have amounts which are set aside by the governing board to finance plant acquisitions. Again, both of these set-asides, if you will, are amounts which when arriving in their new home fund group must be labeled as unrestricted to remind the readers that these are actions by the governing board which at some point in time may be subject to reversal or further change.

Another kind of transfer is illustrated here as well, and that is the transfer from the endowment and similar fund group to the unrestricted current fund. We'll talk more about this later. But suffice it to say that this is a portion of gains on the investments of endowment and similar funds which are being transferred to the unrestricted current funds in accordance with the so-called "total return concept." They represent resources that will serve to finance current fund operations, but are not treated as revenues because these amounts have been accounted for as additions in their original funds when they were first earned.

All of the revenues, additions, expenditures, mandatory and nonmandatory transfers collectively produce a net mathematical result which is the net change in the fund balances for the year. These amounts must be shown at the bottom of the statement of current funds revenues, expenditures, and other changes, and also near the bottom of the statement of changes of fund balances just before the fund balances themselves.

6. Encumbrances

There is a type of transaction that I referred to earlier which is a common occurrence, and that is the "encumbrance." The encumbrance is a commitment to pay for goods or services when received. It is a useful device in the system of budget control, which we will talk about again later. The encumbrance is accounted for in the accounting system as a commitment, as a reduction of available funds, but must at all times be distinguished from true liabilities. True liability exists once the goods or services have been received. Only then do we have a true liability. That liability may, in most cases, for example, result in the incurrence of an expense, or, if we have a value which is being carried forward as unexpired costs, as I mentioned earlier, than we would have an asset. In either event, we only have the liability when the cost is actually incurred. Cost is incurred when the services have been rendered or when the goods have been received.

One of the important accounting principles, then, is that when you look at a statement like this which simply says "expenditures"--it doesn't say "expenditures and encumbrances"--then "encumbrances" which are not true liabilities as of the reporting date, are not to be included in the statement. And the unliquidated encumbrances that are outstanding as of the report date are not to be included among the liabilities in the balance sheet either. If they are to be reported at all, they would be shown either as a segregation of the fund balance to which they relate, or as amounts that would be disclosed in the notes of the financial statements.

E. Loan Funds--Balance Sheet and Changes in Fund Balances

The loan fund group is used to account for amounts which have been received subject to restriction or have been allocated by the governing board for the purpose of making loans to students, faculty, and others. Generally, these loan funds are used almost exclusively for students. And today, the largest part of the loan fund group is represented by the National Defense Student Loan Program. The amount that has been received since inception, which has not been extinguished by reason of the various kinds of write-off procedures that are available, must be shown as a separate amount due to the federal government. It is accounted for as a fund balance, even though in reality it is ultimately a liability. The reason it is accounted for as a fund balance is to provide an accounting for the increases and decreases in the amounts due to the government which would otherwise not show up in the statement of changes of fund balances. An important thing to keep in mind is the fact that when you make a loan, the asset classification changes but the fund balance is not affected. If we take a look at the balance sheet, I think we can see this more clearly.

There is some cash in this illustration in the loan fund group which would represent cash which is going to be loaned to students. We have investments which would represent unloaned resources which would be liquidated when needed for loan purposes. Then the largest asset category that we have is the entitled "loans to students, faculty, and staff, less allowance . . . ." These amounts, unfortunately, are not always repaid. Therefore, as of the reporting date, it is very important to report them at their net realizable values. An allowance for doubtful loans receivable is now found more frequently in the financial statements of colleges because of the increasing problem that exists particularly with respect to NDSL program amounts, as well as other kinds of student loan funds.

The fund balance, as illustrated, is divided between the U.S. Government grants refundable of $50,000 and the amounts provided by the university, of which $483,000 is restricted and $150,000 is unrestricted as of the balance sheet date.

In the statement of changes in fund balances we can see what kinds of transactions affect loan fund balances. (You'll notice now that from this point on we never refer to the third statement because we are out of the current fund group.) As you would expect, new amounts coming in from the federal government are one source. Private gifts and grants restricted to loan purposes would be another source. Investments of these funds produced income and gains which are also added to these funds. Finally, interest on the loans themselves is added to the loan fund balances.

Notice in particular that there are no entries here for the granting of loans or for the repayment of loans because this, again, results only in a change from one asset category to another, that is, from cash to loans receivable. And then when the loans are collected, the repayments are deducted from loans receivable and added back to cash.

The deduction is from loan funds, loan cancellations and write-offs, refunds to grantors, and charges for administrative and collection costs as provided for in its NDSL program. Another type of transaction which would reduce these fund balances of course would be losses on investments of unloaned cash. In the transfer section we see the mandatory transfer coming in from current funds and of course the $50,000 of unrestricted gifts provided by nonmandatory transfer is shown here.

F. Endowment and Similar Funds--Balance Sheet and Statement of Changes in Fund Balances

The next fund group that we will deal with is the endowment and similar fund group. The assets of endowment and similar funds are those which you would expect since we are talking about funds which are to be invested to produce income. Chiefly, we have investments in all kinds, mostly long term, but not necessarily exclusively long term. We also have uninvested cash. We could have some receivables and other kinds of assets convertible to cash. The reader, though, needs to know a lot more about the investments of this fund group in particular and for that reason there are extensive comments made in the notes to the financial statements which we should also look at.

Basically, with respect to investments there are two facts that one needs to know and therefore need to be shown either in the financial statements or in the notes to the financial statements. The kinds of information that are required are (1) the basis of accounting, that is, cost or current market value, and (2) the composition of the investment portfolio as to the major types of investments--bonds, stocks, mortgages, etc. If one is accounting on the cost basis, then information concerning the current market values is required. There is the requirement also to report on the performance of the portfolio by showing that the income, gains, and losses were in relation to cost and market. Note 1 to the financial statements is illustrative of that kind of disclosure.

1. Pooling of Investments

A special accounting problem that you should be aware of with regard to investments of endowment and similar funds, which can involve other fund groups as well but is more often related to this group, is the concept of pooling of investments. I've emphasized throughout this discussion the concept of the individual fund and the fact that we should normally be able to identify the assets belonging to each fund balance. As a matter of practical fact, however, very often that is only true with respect to groups of funds. For example, in the current restricted fund group, we normally don't attempt to keep the cash balances for each current restricted fund separated, but rather have an amount which represents all of the current restricted funds cash. That together with other assets would equal the total amount of all the fund balances in that group.

In a somewhat similar manner, the assets of the endowment and similar funds may be pooled so that a common pool of cash can be used to purchase investments for the benefit of all the funds that are participating in the pool. This pooling concept is one which calls for a particular kind of accounting so that the individual funds participating in the pool are treated equitably. The equity concern that exists relates to the distribution of the income earned by the investments and the gains and losses which relate to the trading in investments. It is imperative that an accounting method be utilized which treats those individual funds in a manner which would satisfy all parties concerned, particularly the original donors and others who want to see fair play there.

The pooling concept that I'm talking about involves using market values as the basis of calculating the distribution of units of participation in the pool to each fund as it enters the pool. Roughly what occurs is that the market value of all assets at the beginning of the pool is determined; units are then assigned to each participating fund based on an arbitrary value per unit, for example, $10 per unit. The units are then assigned to each fund depending upon how many dollars each one has contributed to the pool. From that point on, the number of units held by each participating fund is used as a basis of distributing the income earned by the pooled assets and the gains and losses arising from the sale or exchange of the investments held by the pool. When new fund enters the pool there is a recalculation of the current market value of the assets in the pool and a new unit value is assigned which then is used to assign units to the new fund. This new unit value may be higher or lower than the original value. This same calculation of the current value of all of the assets is made to arrive at a new unit value when a fund is to be withdrawn from the pool. In both cases, we are computing unit values for the purpose of assigning units of participation in the pool. This does not mean that the assets themselves are carried at market. They may still be carried at cost or they can be carried at market. That's an independent consideration.

There was a method that had been used years ago called the "book value method." Without explaining what that means, allow me to say that only the market value unit method is correct. Those of you who may have invested in a mutual fund and understand how the price of the stock of a mutual fund is developed, and how you determine what you get out of the fund when you turn in your shares, would readily understand what is going on in this pooling arrangement I've just mentioned because the accounting concepts are virtually the same.

2. Types of Funds

The fund balances in the endowment and similar fund group may represent several different kinds of conditions. First of all, they represent the two major conditions that were illustrated earlier, that is, truly restricted funds where the donor has created an endowment, and then monies set aside by the governing board which at any time can be expended but in accordance with the governing board's direction are not to be expended now and only the income is to be used. Now, the first category would include two kinds of restrictions. One is a permanent restriction in perpetuity requiring the investment of the amount of money contributed. This is referred to simply as an "endowment fund." The other type of restriction to invest and not spend the amount contributed has a terminal date or ends on the happening of a particular event. This type of fund is known as a "term endowment." As of the balance sheet date neither one of these types of funds can be expended by law, and the governing board on its own cannot override that restriction.

By contrast, amounts set aside by the governing board from expendable funds can be expended and therefore are given the title of "quasi-endowment funds." In some cases you may see the term "funds functioning as endowment." This is to indicate that the amounts so carried can be withdrawn from this category and restored to the current fund group where they came from and expended for the purposes for which they are either restricted or designated. Notice particularly that the name of the fund group here is "endowment and similar funds." Whenever you have the presence of both quasi- and true endowment, then that kind of title must be used. If you have only endowment and term endowment, you simply say "endowment funds" and do not use the term "endowment and similar funds."

3. Principal vs. Income

An important consideration in the accounting for endowments and similar funds which is different from any other fund group is the need to distinguish between what is referred to as "principal" and what is referred to as "income." Endowment funds are peculiar because they are looked upon for certain purposes as though they were trust funds and yet from a legal point of view they are not. Without getting into all the complications, suffice it to say that the accounting conventions that have been established for endowment funds are patterned after trust fund concepts. Under trust fund concepts we distinguish between what is called "principal" and what is called "income." The reason for this is that the principal is preserved for the benefit of the remainderment of the trust whereas the income is available for the life tenant or the income beneficiary. In the case of the institution which has an endowment fund, however, it is both the remainderment and the life tenant or income beneficiary. As so you might wonder, why do we bother with this concept? There are two reasons. One is the fact that the donor has stated that you can use the income only as a need to define income. Secondly, there is the concept that there is another party at issue and that is the future generation of students who will benefit from the income. Thus the governing board has the obligation to balance its investment policies so that it doesn't stress either current income or growth in such a manner as to more favorably treat one generation of students than another.

In any event, the distinction between principal and income determines what gets accounted for in the endowment and similar fund group. So the definitions are as follows: "Principal" includes the original contribution or any additional contributions in the case of endowment or term endowment, or in the case of quasi-endowment the original transfers made by the governing board or any subsequent transfers. Further additions to principal would be realized gains, or in the case of accounting for investments at market, it would be increases in the carrying value of investments. In the case of deductions we would have losses on investments of the endowment fund. These constitute the changes in the amounts accounted for as principal.

"Income" would be what we would normally think of as ordinary income in tax law. For example, we have dividends, interest, rents, royalties, and so forth. In the case of real estate we have the rental income less the expenses of operation and less depreciation expenses so that a distinction between income and principal of the endowment and similar fund group can be maintained. The income arising from the investment of endowment and similar funds is accounted for in unrestricted current funds if the income is unrestricted or in the appropriate restricted fund, depending on the nature of the restriction. We even have some cases where the restricted income is added back to principal by direction of the donor. Keep in mind that any adding back of income to principal by direction of the governing board is not truly principal, at least not with respect to endowment funds.

In classifying and describing "endowment and similar funds," we use terms that can be confusing so let me explain them. We talked about "restricted endowment funds" and "unrestricted endowment funds." What we really mean is "endowment funds," the income of which is restricted. We also classify "quasi-endowment" as being unrestricted (which for the most part is the fact) and restricted. The easiest way to think about this is that "unrestricted quasi-endowment funds" are amounts that have been transferred from unrestricted current funds. On the other hand, where restricted current funds are set aside for investment, to use the income only, then they constitute "quasi-endowment funds--restricted."

The accounting for gains, losses, and income of quasi-endowments follows the same decision rules as true endowments, that is, the gains and losses are accounted for as part of the principal of the quasi-endowment fund while the income is accounted for in unrestricted current funds if it is a restricted quasi-endowment. The "statement of changes in fund balances" for this fund group illustrates the various kinds of transactions I've already talked about. We see private gifts and grants coming in. These would be restricted amounts only. We can see additions to the fund balances by reason of the gains. We would have deductions for losses. We have transfers from the unrestricted current fund.

4. Total Return Concept

Another kind of transaction which is illustrated here is the transfer shown at the bottom of the column of the statement of changes in fund balances for endowment and similar funds which is made in relation to what is called the "total return concept." Very briefly, the total return concept is one which has evolved in recent years to try to mitigate somewhat the strictures that have been imposed through accounting and legal conventions which make such a harsh distinction between ordinary income and gains. The intent here was to try to loosen up the investment decisions a little bit and to encourage institutions to invest in growth stocks with the theory that the total long-run return would be better.

In recent years laws have been enacted in many of the states which are patterned mostly after a uniform law that was drafted a few years ago that prescribed how investments of institutions must be managed. This law provided that it would be legally permissible for a portion of the gains on true endowment funds to be used for the same purposes for which the ordinary income would be used. Of course you must keep in mind that it was always possible for gains of quasi-endowment funds to be used. The fact this illustration in Part 5 refers to quasi-endowment fund means it need not be so restrictive. In most states now a transfer from the endowment fund may be made of a portion of the gains. There usually are requirements that such transfers can only be made in the face of gains. That is to say, you cannot make a transfer from endowment principal which would reduce the fund balance below its historical contributed value.

The total return concept, then, is the means by which a calculation is made to determine how much of these gains will be used. Initially, an estimate of the total earnings potential of the portfolio is developed. Total return is equal to the ordinary income or yield plus net gains. A spending rate is then established. The spending rate supposely is enough lower than the total return earnings rate so that there is a plowing back to the endowment portfolio of an amount necessary to provide some growth there to, and particularly to overcome the effects of inflation. The spending rate is financed first from ordinary income. To the extent that the spending rate is not achieved by ordinary income, the difference would be financed by means of this transfer from gains. So in this case the transfer of $40,000 shown in the statements represents the amount necessary to cover the spending rate on the total return concept of this reporting institution.

G. Annuity and Life Income Funds--Balance Sheet and Statement of Changes in Fund Balances

This group is subdivided into annuity funds and life income funds. If the amounts of such funds are relatively insignificant they may be reported as a subgroup within the endowment and similar fund group. In any event, basically the assets would be cash and investments in other assets convertible to cash. The objective of these assets is to produce income. Then in both cases payments are made to parties outside the institution for their lifetime, or the lifetime of two people, on instructions of the original donor.

The distinction between the two kinds of funds roughly is as follows: An "annuity fund" is one where a fixed amount is established by the donor and that amount must be paid out even though the ordinary income from the investment of the fund is not adequate for the purpose. For this reason, in the payment of an annuity the institution may actually be incurring a liability which is greater than the amount of the income and therefore some portion of the original principal may have to be paid back. For this reason annuity funds are accounted for through a liability account which expresses the current value of all future payments that need be made, taking into consideration as well the future earnings. Any excess of the asset value over this liability would be the fund balance. Periodically there is a reevaluation of that liability which takes into consideration the remaining estimated life of the annuitant, based upon IRS tables or other sources of information, and the liability is adjusted with a corresponding adjustment to the fund balance.

In the case of a life income fund, normally the obligation is either to pay only the income earned by the specific investments of the fund or to pay a rate of return which is earned by a group of funds. Again, in this case--because one is only paying out the income that has been earned--the obligation is limited and, therefore, no liability exists as is the case with the annuity fund.

Looking at the statement of changes in fund balances we can see the different kind of increases and decreases, including an expired annuity fund amounting to $10,000 which is deducted from this group and then picked up in the fund group to which it relates. In this case all of it is restricted for endowment purposes, and so you can see this amount going into that fund group.

The whole area of annuity life income fund involves a number of fairly complex tax issues. In many states annuity funds are regulated as forms of insurance and are subject to jurisdiction of the state insurance department, and require depositing of reserves and so forth. And so, this is an area that deserves more than an accounting treatment, but rather very careful management and legal and tax considerations.

H. Plant Funds--Balance Sheet and Changes in Funds

The "plant fund group" is subdivided into four subgroups. The first of these four subgroups is "unexpended plant funds."

1. Unexpended

Unexpended plant funds arise from restricted grants, gifts, and appropriations which are restricted to acquisition of plant of a character not previously owned. These amounts are credited directly to unexpended plant funds and can be seen as additions in the statement of changes in fund balances. In these simple statements, unrestricted gifts were allocated by the governing board for this purpose. The amount of $50,000 shown as a nonmandatory transfer here will be accounted for in the unrestricted portion of the balances of unexpended plant funds. So you see on the balance sheet that the fund balance amounts of $200,000 and $1,000,000 are separately stated as being unrestricted and restricted, respectively. The assets and liabilities as shown in the balance sheet are, I think, self-explanatory and similar to those in other categories and in other fund groups.

When the expenditure of these funds is made we have two kinds of things to keep in mind. One is that we have a reduction of the fund balance and a reduction of cash. The other is that we generally have an equal amount of increase in another plant funds subgroup labeled "investment in plant." Here the cost of the asset acquired and the contra-increase in net investment plant is recorded.

That discussion all pertains to acquisition of plant and the use of unexpended plant funds which arise from donations or the setting aside of free funds by the governing board. An important source of funding of capital outlay is from borrowings. The monies borrowed for the acquisition of new plant and equipment would be accounted for in this unexpended plant funds subgroup as well. The only difference in this case is that when the borrowed money is spent, the charge is not against the fund balance but against the liability account. In the investment in plant subgroups the credit is not to net investment of plant but to the reestablishment of a liability.

There is another point to keep in mind in accounting for construction in progress, namely, that construction in progress may be accounted for in unexpended plant funds until the project is complete and then to establish accountability for it in the investment plant subgroup. The other and more frequently followed method is to remove the accountability for construction in progress from this subgroup immediately as expenditures are made and carry the construction in progress in the investment of plant subgroup.

2. Renewals and Replacements

The second plant funds subgroup is "funds for renewal and replacement." The distinction between this and the first subgroup is described in the headings themselves. Here we are talking about money which is set aside to renew or to replace plant assets presently in use. Here, too, the fund balances are subdivided between restricted $25,000 and unrestricted $235,000. Recall that one of the sources of renewal and replacement funds would be a portion of the mandatory transfer ($170,000 in this example), and that when mandatory transfers are received they are classified as "restricted funds." The assets consist of cash, investments, and amounts of money that have been turned over to a trustee in accordance with an indenture. These assets, amounting to $100,000, are classified as "deposits with trustees." Here, as in the earlier fund group, the expenditure of these monies results in the reduction of assets and fund balances in this subgroup and picking up a similar amount as an increase in the net investment in plant and in appropriate asset category in the "investment in plant" subgroup. Often some of these expenditures do not result in the acquisition of a capitalizable asset. The amount of such expenditures not capitalized should be disclosed, as is illustrated in these statements in the parenthetical note on the caption "Expended for plant facilities" in the statement of changes in fund balances which states "including noncapitalized expenditures of $50,000." In any event, it should be possible to trace from the preceding subgroup, and this one directly into the investment in plant subgroup, to see that flow of funds, and to be sure that everything is accounted for properly.

3. Retirement of Indebtedness

The third subgroup represents "retirement of indebtedness funds." Funds for retirement of indebtedness may have direct addition, as illustrated here, from contributions or grants that are made for that explicit purpose which are restricted and, therefore, cannot be used for any other purpose. Most frequently the amounts coming in here come in by way of the mandatory transfer. This is illustrated by the $340,000 shown in the transfer section of the statement of changes in fund balances. As stated earlier, amounts so received are classified as "restricted fund balances." If the governing board were to set aside excess funds for retirement of indebtedness, then such amounts in excess of what is required would be a nonmandatory transfer and such balances would be classified as "unrestricted." Retirement of indebtedness funds are used to meet two kinds of obligations. One of these is the interest expense and that amount should be shown separately as it is illustrated here in the statement of changes in fund balances (see $190,000 deduction) and the rest is the amortization of the debt (see $220,000 deduction). The amortization of the debt results in another set of entries being made in the investment in plant subgroup. There we would see a reduction of the liability for bonds payable equal to the debt amortization payment made in the retirement of the indebtedness funds and a corresponding credit for increase to the net investment in plant of $220,000. Thus, as debt is reduced the equity in net assets is increased.

4. Investment in Plant

Finally we have the subgroup that relates to the "investment in plant" itself. Many of the transactions that affect this fund balance have already been described in the earlier discussion. The assets of this subgroup consist of the carrying values of land improvements, buildings, equipment, library books, museum collections, and other similar capital assets have a long-term life. Some of these are depreciable, that is, they waste away. Land of course does not.

There are a couple of decision rules and accounting practices that are particularly pertinent. First of all, these assets are to be carried at their historical cost until disposed of. The practice in some institutions in earlier years was to carry such assets at some other amount, such as periodical appraisals, either out of preference or because the original cost records had been lost or destroyed. In any event, where historical cost records are not available, then it is permissible for the institution to obtain a professional estimate of what historical costs probably were, and then to use that as a basis for reporting.

Secondly, the concept of depreciation arising in business enterprises would be applicable here too; however, it is permissive and not mandatory. The depreciation accounting concept is one that provides that the capital cost of a wasting asset of this sort should be allocated over its economic useful life. So, depreciation accounting is a method of allocation of the historical cost (less salvage, if any) of the asset over its useful life. This is an important consideration in business enterprises where net income must be determined and tax liabilities are involved. In nonprofit organizations this concept does not have the same consequences, although depreciation expense is important in determining what the total costs are of rendering a given service. For this reason depreciation computations are often made for cost recovery purposes, for evaluation of program performance purposes, and so on. Accounting for depreciation in colleges and universities takes place in the plant funds as it does for voluntary health and welfare organizations, since the assets to be depreciated carry there as well.

The third accounting principle involved here with respect to these assets it that rules must be established by the institution to determine when a particular expenditure results in the acquisition of a capital asset. For example, items of movable equipment should be capitalized provided they have a value which is significant enough, and also that they have a useful life which extends beyond a year or so. Otherwise there is nothing there that has any capital value. Some institutions have set fairly low dollar values while others have set higher ones. The Cost Accounting Standards Board, which has established costing rules for all contractors employing federal funds, has set certain limits which would establish the bounds beyond which you would have to classify an expenditure as a capital addition. A related decision factor that must be established is the point at which a renovation becomes a capital asset. For example, if there is a minor renovation of a facility there is not much value associated with it, and it would not likely be considered to be a capitalizable asset. On the other hand, if one were making a renovation which resulted in extension of life of the asset or a whole new use of an existing facility and you spent more than $50,000, then the chances are that it ought to be capitalized. A final consideration is that new assets are added to the carrying values of the asset section of this subgroup, and assets which have been sold, destroyed, stolen, lost, or otherwise eliminated from the possession of the institution would be written out of the records. That is, their carrying values should be removed.

Taking a look at the liability side of the balance sheet of this fund group we see liabilities that we would expect to be associated with physical plant assets which could include short-term as well as long-term debt, which was used to finance the plan. I might make the point here that if debt is incurred by the institution to finance working capital, it should not be carried in the plant fund but rather should be carried as a liability of current funds. This would be true even though plant assets may be pledged as collateral against the loan. The reader has need to know a fair amount of information about these liabilities of plant funds and other liabilities of a long-term nature that may exist and be shown in other funds groups. There are, therefore, some disclosure requirements in this regard that are illustrated in the notes of the financial statements set forth in note 3, page 10, Section 5:7 of Part 5 of CUBA.

The fund balance of the investment in plant subgroup is referred to as "net investment in plant." It is not classified as being restricted or unrestricted because it is simply the accountability for the net asset values carried in this section. There is no further intended future use, thus for the most part any restrictions that may have been imposed on the funds used to finance these assets have been met. There are, however, some instances where gifts carry restrictions that have second-generation type implications. For example, the restrictions may initially require that the money be used for the acquisition of a building. Then there could be a further restriction to the effect that in the event the building is later sold, the proceeds of the sale must be used for a replacement of that building. This situation is fairly rare, however, and therefore no illustration is shown here of any potential future restriction. I suppose that if there were such a condition and it were substantial you might want to have separate disclosure of it.

Now, when we look at the changes in net investment in plant in the statement of changes in fund balances we can see those kinds of transactions which by now have been pretty well defined in our earlier discussions. First of all, we have the increases in these funds arising out of the expenditure of unexpended plant funds, and funds for renewal and replacement. Secondly, we have an increase arising in this fund balance because of reductions of debt which are reflected in the decrease in funds for retirement of indebtedness. We also can have one other kind of increase, namely, where a contribution-in-kind is received by the institution. This would be a situation where the donor gave a capital asset, for example, a building or land or equipment, rather than giving money. This donation to the institution would be picked up directly in the investment in plant subgroup.

Deductions from this fund group would be, primarily, the elimination from the inventory of capital assets of the historical cost of those assets which are retired, sold, disposed of, or destroyed. When such assets are eliminated, the total carrying value of the asset is deducted from the asset category and from net investment in plant. Any cash proceeds which might be received as a result of this retirement would be taken up in the unexpended plant fund and, in the absence of any of the secondary types of restrictions mentioned earlier, would be classified as an "addition to the unrestricted portion of unexpended plant funds." Thus you don't see in one amount here the net gain or loss from the sale or disposal of the capital asset. Such amount could be derived by deducting one of these figures from the other, each having been separately disclosed in the statement of changes in fund balances. Of course, with the institution we're following the practice of depreciation accounting, and we are depreciating its capital assets, so the charge for the depreciation expense would be another major deduction here in the statement of changes in fund balances.

There is one other increase that I have not yet mentioned and it is illustrated and that arises out of another peculiarity of these kinds of organizations. Let me describe it in this way. In many cases colleges will include in the operating budgets of various departments a provision for minor items of equipment. Frequently there is a policy of equipment replacement with regard to certain types of assets. For example, you might be replacing typewriters in an office on a scheduled basis. Annually the amount which will be expended for this purpose is budgeted in that department, and therefore the expenditure of current funds for this purpose becomes a part of the functional expenditures set forth in the statement of current funds revenues, expenditures, and other changes and in the statement of changes in fund balances for unrestricted or restricted current funds. Another kind of capital outlay that may be financed in a similar manner from current funds expenditures is library books. These expenditures of current funds for the replacement of capital assets are reported first as expenditures of current funds, and then are picked up as assets and as additions to the fund balance of the investment in plant subgroup. In the illustrative statements, note the amount of $100,000 charged to current fund expenditures which is also added to net investment in plant.

There are three ways, then, in which the use of current funds for capital outlay can be reflected in the current fund statements and can have the effect of adding to the net investment in plant. These are: (1) by expenditure, as just explained; (2) mandatory transfers; and (3) nonmandatory transfers.

I. Agency Funds--Balance Sheet

Last of all we have the "agency fund" group. Agency funds represent amounts received by the institution which don't belong to it. Generally, the assets would be cash and investments as illustrated. The accountability here is to outside parties and, therefore, what we have is the liability for amounts held by the institution in custody for others. This is the only fund group that does not have a fund balance. In this case, assets are equal to liabilities and there are no net assets which belong to the institution. It is for this reason that you do not see any column in the statement of changes in fund balances for the agency fund. Obviously the college would have to account to the various parties for whom it is holding funds from time to time to show the receipts and disbursements made but this information is not required in these highly aggregated general-purpose financial statements.

J. Notes to Financial Statements

Throughout this discussion I have been pointing out the characteristics of the fund groups; the nature of the assets, liabilities, and fund balances; the kinds of increases and decreases; and the interrelationship of the statements. Now you will notice in this Section 5:7 of Part 5 of CUBA that there are notes to the financial statements. The purpose of these notes is to provide further disclosure of key information that is considered necessary in accordance with generally accepted accounting principles for colleges and universities. Most of these principles have been discussed in the course of the earlier discussion. For example, the first item that you will see is the summary of the significant accounting policies. Many of the accounting policies mentioned there have been discussed as we went through the statements. Then the other notes relate to such matters as the composition, market value, and performance of investments; the commitments that are outstanding relating to major items of construction; obligations under pension funds; and details concerning liabilities for short- or long-term debt.

Two other things I have not mentioned that are illustrated here and in the financial statements are important. One of these is the "interfund receivables and payables." I described earlier how these kinds of balances arise. You can see examples of them here in the balance sheet. Where there are any significant interfund receivables, their nature and means of repayment must be disclosed in the notes to the financial statements. Related to this matter is concern that if the interfund receivable is not capable of being collected from the owing fund, then considerations must be given as to whether a permanent transfer should be made, thereby eliminating the interfund receivable and payable. This evaluation becomes very important later when we talk about the analysis and interpretation of these financial statements.

Another matter which has not been discussed yet is that of "pledges." Many nonprofit organizations do record pledges receivable as assets and as accountabilities in their financial statements. A number of colleges and universities do likewise. However, many colleges and universities follow practices in terms of documentation of pledges or have relationships with potential donors such that it is not possible to determine the net realizable value of outstanding pledges. In those circumstances uncollected pledges would not be included in the basic financial statements. Even so, where there are significant pledges they must be disclosed in the manner illustrated in these notes.

K. The Accountant's Report

I have mentioned to you a number of times that these statements we are looking at are the general-purpose financial statements. They are illustrative of the type of report which is relevant to the top of the pyramid of the reporting hierarchy. They cover the broadest scope of activity including all of the financial activity and resources for which the governing board is responsible. And, as described earlier, they provide the least amount of detail about these transactions and balances.

As a matter of fact, the level of detail in these financial statements is always considered as the minimum disclosure requirement. Obviously in preparing a report for this purpose or any other purpose, more detail is always feasible and often necessary. Now, it just so happens that these kinds of financial statements are the type that are used not only for internal management purposes but also for external reporting and accountability to the public. When such financial statements have been examined by an independent auditor, he or she reports on them in a highly stylized manner. So, when you see a published report of a college or university, you should look for evidence of a report by an independent auditor. The report is referred to as the "accountant's report." If the independent auditor has examined the financial statements in the required fashion, you normally will see a two-paragraph report. The first paragraph will describe the scope of the examination, and the second paragraph will contain the auditor's opinion concerning the financial statements. The scope paragraph normally will say that the examination was performed in accordance with generally accepted auditing standards. If you see language that says something other than that or if generally accepted auditing standards were not followed, then there should be language which would tell you so. The second paragraph will state the auditor's opinion as to whether or not the financial statements are presented fairly in accordance with generally accepted accounting principles applied on a consistent basis. If the institution's financial statements deviate in any material respect from generally accepted accounting principles, then the accountant would have to add a middle paragraph describing this departure from generally accepted accounting principles. In that case, there usually would be an exception noted in the opinion and you would see language such as "in our opinion, except for . . . ." The usefulness of this report of course is that you as an outside reader can rely on those financial statements provided the scope of the audit and the opinion are both unqualified. If there is a qualification, of course then that impairs the reliability of the statements. There may be severe situations where the auditor has to say that the statements just do not at all present these matters fairly in accordance with appropriate standards. If so, you had better not make too much use of those financial statements.

The final point on this aspect of financial reporting is that you should always remember that the financial statements are representations of the institution and the auditor's opinion is the representation of the auditor. The financial statements are not those of the auditor but rather of the institution. I repeat this because this fact is often misunderstood or forgotten by either the institution or the auditor. What I've said is true, even though the auditor may have assisted the institution in developing the financial statements as they are finally presented.

VII. OTHER KINDS OF REPORTS

Obviously a wide variety of reports will be generated by the institution throughout the year to be used by various levels of administration and to control or to be kept aware of a wide variety of activities. For example, there would be separate reports on each type of asset, such as investments, cash balances, and receivables. There would be information about grant activity, including both the acquisition and expenditure of such funds. There obviously would be monthly budget control statements going to all departments. We will talk more about those later. There also will be special statements related to lots of other kinds of activities including student registration, class loads, faculty effort, and the like. Section 5:5 of Part 5 of CUBA contains some useful comments and suggestions concerning supplementary schedules, supplementary materials, and interim reports.

Insofar as any of these detailed financial statements are concerned, however, the same generally accepted accounting principles apply. That is, the same ground rules apply to all of the reports whether highly aggregated or in detail, and that's the reason why we use these basic financial statements as a way of reviewing all of the principles and practices involved rather than going at it from a detailed point of view. Again, harking back to our earlier discussion about the role of the management information system, the accounting system ought to be providing all of the different levels and types of reports that are required for each and every one of the management processes. The limit of them should be only the limit of the informational needs of the institution and, of course, the cost/effectiveness of providing such information.

ANALYSIS AND INTERPRETATION OF FINANCIAL STATEMENTS; LINK BETWEEN ACCOUNTING AND BUDGETING

(Lecture Material)

ANALYSIS AND INTERPRETATION OF FINANCIAL STATEMENTS; LINK BETWEEN ACCOUNTING AND BUDGETING

(Lecture Material)

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ANALYSIS AND INTERPRETATION OF FINANCIAL STATEMENTS;

LINK BETWEEN ACCOUNTING AND BUDGETING

I. THE USER'S POINT OF VIEW

We spent a fair amount of time talking about the components of the basic financial statements and what the accounting principles are that relate to them, the various fund groups, and so on. The more important considerations, then, are the utility of this information to the user. Now, each person looking at a set of financial statements of a college is looking for different things. If you are a lender, you are concerned about cash flow, the level of debt of the institution, and the extent to which it is able to generate new resources to pay off the debt, and so on. If you are a contributor, I suppose you want to know whether or not the money you gave was used wisely. You'd want to know whether or not the institution was going to be continuing to operate in a viable fashion. If you were a grantor supporting a particular project, you would be interested in whether or not the grant was used in accordance with the restrictions imposed, and whether the objectives of the grant have been achieved. You might probably also want to know something about whether or not the institution is continuing to enhance its reputation in this particular field.

When we get to other large classes of people, the questions and concerns change and become less clear. For example, students and their parents ought to be very much concerned about the financial affairs of the colleges to which the children are to be sent. I recall particularly a comment by a college president that he felt that it was necessary to put a balance sheet in the school catalogue. The reason he cited for this was that he thought that any student or parent who was going to make a major time and financial commitment to a college ought to know whether the institution is financially healthy, and he therefore provided a balance sheet to demonstrate that fact. People who are on the faculty and staff probably want to know a lot about whether the institution is remaining financially viable and the extent to which there might be room in the budget to increase salaries. Of course, various administrators usually are looking for more money in their own budgets and are wondering what the sources of funds are, whether they are growing or not, and, if they are growing, whether they are getting their fair share of the action, so to speak. If the resources are not growing, or in fact are shrinking, I guess each administrator wants to know that the cuts in his or her budget are not out of line with what is happening to everybody else.

II. CONCERNS WITH TRENDS AND WARNING SIGNALS

And so it goes. Each group has its own peculiar needs and, therefore, is looking for particular kinds of information. However, there seems to be a large body of people who have just a couple of questions that are relatively simple to state, but not perhaps so easy to answer, mainly, how well off is the institution? Is it financially healthy? And what has the trend been? Has it been getting better? Has it been getting worse? What is the future likely to be? These are questions that are asked more frequently by people who are concerned about the system of higher education, and about the maintenance of a pluralistic system, and so on. Certainly these are concerns that have been expressed in a large number of studies that have been conducted over a period of years.

Finally, we have the independent auditors who have a very peculiar concern which needs some explanation. As I said earlier, the opinion of the auditor is rendered on the financial statements in relationship to generally accepted accounting principles. These generally accepted accounting principles apply only on the presumption that the institution is a going concern, that is, that it is continuing to operate. If it were not to continue to operate, then generally accepted accounting principles would not apply. Different asset and liability values would be used which would emphasize the potential outcome on dissolution of the institution. So, from an audit point of view, there is concern with the development of warning signals which would provide an early indication to the auditor that there is some likelihood that the institution would not last beyond the near term. "Near term" in this case is probably something like eighteen months after the end of the fiscal year upon which the auditor is reporting.

Other groups are hard at work attempting to develop similar warning signals for other purposes. The fact is a study is under way by the American Council on Education and the National Association of College and University Business Officers to try to compile such indicators and to begin to sort them out into useful categories. One of the major problems leading to the need for such a study is the fact that there is no generally accepted set of ratios or benchmarks or trend analyses which have been demonstrated to be early warning signals or useful indicators over a long period of time.

I believe that this situation is going to change radically in the fairly near future, but a couple of things need to occur. First of all, there needs to be the consistent application of accounting principles and reporting practices over an extended period of time. Now that the literature is all in agreement, and if it stays that way for a little while, then we will have that kind of consistency. Secondly, there needs to be a careful definition of terms. Warning signals developed by some employed terms that are not widely defined and not consistently applied. Therefore, they don't convey any good meaning. And thirdly, there needs to be good empirical research done to see which of these factors and ratios relate, in an early warning mode, to conditions that are clearly unhealthy from a fiscal point of view. When all three of those conditions are met, we will have something that will make the whole process of analysis a lot easier.

III. RULES FOR ANALYSIS

It is important to remember that when you want to analyze or interpret anything in the way of financial reporting there are some basic ground rules.

A. Relative vs. Absolute Amounts

First of all, the reporting of absolute amounts, whether they be asset, liability, fund balance, revenue or expense, is not as important as recording those amounts in relationship to some other kind of yardstick. Even in the simplest fashion, if we report balance sheet amounts as of the end of this year with similar amounts as of the end of last year, the reader is much better informed and can begin to see some kind of a trend. If he were provided with any kind of information over a period of several years, it would be even more useful. Similarly, we see the total current funds revenues, expenditures, and other changes for this year compared to the total for last year in the sample financial report we were looking at. If we saw that sort of thing for a period of several years, we would begin to get some sort of trend that would be more useful than simply one year's amounts.

Another consideration is that the institutions, in most cases, are operating under a budgeting system of some sort. The budget is an excellent point of comparison for reporting in relative terms. In fact, in the area of state and local government accounting, there is usually a requirement that actual expenditures be reported along with the budget so that the reader can determine how closely the budget was adhered to.

B. Need for Related Statistical Data

A second major issue is that virtually no financial report all by itself can tell the whole story that the reader wants to know. And so it is, in terms of warning signals and trend indicators, that very often nonfinancial information of a statistical and quantitative nature is very useful. An example would be examining dollars expended in terms of students served. Also looking at income or revenues on a per-student basis may be useful. Certainly statistical ratios by themselves can help to uncover emerging financial problems or to explain better financial events that have already taken place. Examples here might be the trends in applications, admissions, and enrollment, and the quality of the entering freshman class, the mix of students in terms of the type of program they're taking, the level of instruction, composition of enrollment as to men and women, and so forth--all examples of statistics that might be of use in interpreting where the institution is going. One of the most frequently cited ratios, of course, is the student/faculty ratio. As that ratio drops, then regardless of whatever else is going on, the cost of instruction is going to increase. While that may be a very laudable academic achievement in terms of having smaller classes, it could be a very unhealthy financial direction, particularly if the institution doesn't have new resources to cover this requirement.

IV. USING THE BASIC FINANCIAL STATEMENTS

There are a couple of things that you could do immediately even with the financial statements that we are looking at. For example, the figures shown on the statement of changes in fund balances representing the net changes in fund balances for the year are probably among the more important amounts in all of these statements. The aggregate of all of these net changes might provide a useful figure. However, certainly these figures separately are much more illuminating and the trend of these net changes could give us some clues. One thing that could be done with the net change figures and the fund balance figures would be to rearrange their components so that the reader could look at all of the unrestricted funds that have not yet been committed or expended.

Ultimately this becomes a very important test of the liquidity of the institution and the ability to change its direction. Increases in investment in plant, on the other hand, while indicative of increasing facility capability, does not provide money to pay salaries in the future unless you sell the plant, in which case you are out of the ball game altogether. In a somewhat different manner nonexpendable funds provide benefits, but not on a dollar-for-dollar basis in the current year. In the final analysis, if an institution persists in having operating deficits each year and runs out of unrestricted expendable funds, it won't last very long.

V. COST ANALYSIS

A much more complicated and yet very pertinent aspect of analysis and interpretation of financial statements of colleges and universities relates to the whole area of cost analysis. There are a couple of very fundamental points to be made here without attempting to conduct a course in cost analysis per se.

A. Two Basic Methods

There are two fundamentally different ways of analyzing cost. They relate to two different time dimensions. One method is used for analyzing historical costs, that is, historical costs for past fiscal periods, in order to determine how much resources were used in accordance with the program and objective of the institution, and also the extent to which the full cost of services was covered by the fees or sources of support provided by various users and fundors.

This methodology is one which concerns itself with such concepts as direct cost and indirect cost, and the allocation of all costs to the ultimate cost objectives. Very often the ultimate cost amounts are expressed as so many dollars per unit of service rendered, such as so many dollars per student credit hour. This type of cost analysis is typified by the techniques developed by the National Center for Higher Education Management Systems in its Cost Analysis Manual, and by the cost determination principles established by the federal government set forth in Federal Management Circular 73-8. In both cases the objective is to determine the total direct and indirect costs which are attributable to a final cost objective. In the case of government cost principles, the objective is to determine what the price will be which is charged to the government and for which the government will reimburse the institution. In the case of the NCHEMS approach, the objective is to evaluate the expenditures of the institution in terms of its programs leading toward the achievement of its objectives.

While these analytical processes are useful for these purposes they are totally unrelated and unuseful for the process of projecting. Here, in the process of projecting and planning, we need a different kind of cost analysis which focuses on the fixed, variable, and semi-variable components of cost so that one can predict the behavior of cost and of revenue in the future. One of the most important understandings that administrators must develop about their institutions is knowledge of the point at which they may be able to break even financially. One has to be able to determine what the costs of operations are going to be at various levels of activity, what the related revenues will be, and then, what level of activity will produce a break-even point. Since increases and decreases in the volume of activity do not produce directly variable increases and decreases in cost per unit of service, this other type of cost analysis must be used. Both methods have their role to play but each of them is different, and it is important to understand those differences when using the results of cost analysis.

B. Other Considerations

There is a further consideration here with respect to cost allocations. For example, the supporting costs of plant maintenance and operation and institutional services that relate to auxiliary enterprises are supposed to be allocated to those enterprises and deducted from the costs associated with educational and general activity. Similarly, if there were any such costs relating to hospital operations, they should be allocated to that cost center. The objective here is to be able as much as possible to match the total costs of rendering auxiliary enterprise services and hospital services with the sales and services revenues that they generate. Of course there may be other revenues that are attributable to those activities and they would have to be taken into consideration as well.

C. An Illustrative Tale

Much of what I have said may very well be confusing to the layman. Allow me to tell a little story that might well illustrate the difference between the two approaches to cost analysis mentioned earlier.

The story goes about the man who operated a diner. He had an accountant who came in once a month to write up his books. During the month a salesman came in and talked the owner of the store into buying some peanuts and a little stand to go on the counter in which to display these peanuts. The salesman sold the peanuts to the store owner for five cents a bag and said that they should be sold for ten cents a bag. In that way the owner could make a nickel profit on every bag he sold. And so that is just what the store owner did. When customers were getting change on the way out they would buy bags of peanuts. The owner was quite happy with the whole situation. That is, he was happy until his accountant came in at the end of the month and wrote up the books. At that time the accountant saw the stand on the counter near the cash register that had the peanuts in it. "What's going on?" he asked the store owner. "What's with these peanuts?" The store owner said, "This is the greatest thing that ever happened. I purchased these things for five cents a bag and I'm selling them for ten cents and so I'm making a profit of five cents a bag." The accountant said, "Look, you don't know what you're talking about. You don't understand accounting and cost analysis. Yes, you buy those bags for five cents so we'll jot that down on a piece of paper. But then you have a lot of other costs associated with those peanuts. For example, you have the counter on which the stand rests. That counter costs so many thousands of dollars and so many square inches of the counter are now devoted to the sale of these peanuts so we have to allocate that much depreciation on the counter to the peanuts. Then we have the heating, the lighting and ventilating and air conditioning of the space which is a benefit to the peanuts so an allocated portion of cost for that must be added. Then there is the time you use in collecting the money for the sale of the peanuts and talking to the salesman and so forth and so we better charge a part of your salary to these peanuts as well." "And," he said, "the way I look at it, I see here you are getting ten cents for every bag you sell and you have a total cost for every bag you sell of 65 cents so you are really losing 55 cents on each bag!"

Now, the question is, which one of those men is correct? And the answer is that they are both correct, depending on what you want to know. In the case of determining what the total fully allocated historical cost per unit of sale, in the manner that might be used for the NCHEMS cost analysis procedure or using something like the federal costing procedure, then the 65 cents would be the proper answer. On the other hand, if one is talking about what is going to happen in the future as I add this line to my sales effort and what will happen to revenues, then the store owner is correct in that the only increase in his expenses was the five cents while the increase in his revenues was ten cents. He did have, therefore, a contribution to his net income of the difference of five cents a bag. For this reason we say that the first-mentioned type of analysis is useful for pricing, and the last-mentioned analysis is useful for planning and projecting the economic impact of alternative courses of action.

VI. BUDGETING COINCIDES WITH ACCOUNTING

A. Introduction

Earlier we talked about the accounting process and recording of transactions in accordance with generally accepted accounting principles. Thinking back to the beginning of our discussion, remember that I referred to the fact that one of the major types of activities that administrators must carry out is that of planning. Planning can be considered both in the long term and the short term. We usually distinguished between long-term planning and short-term budgeting. A number of institutions do some kind of long-range planning but not all. Most, if not all, institutions do some kind of short-term budgeting, at least for the coming fiscal year. It is the process of the budgeting that you have been concerned with in your discussions in the first day of this program. What I'd like to do now is talk a little about the budgeting process links with accounting, the role of department reports, the meaning of budgetary controls, and how they are carried out.

B. Classifications of Expenditures and Revenues

First of all, one of the most important things to keep in mind is that the classification of expenditures and revenues that is used in the budgeting process should be the same as those used in the accounting process. It is very frustrating to find an institution's accounting system where the accounting transactions are never classified in the same manner as the budget, or vice versa, and, therefore, it is never possible to make a direct comparison with budget versus actual.

When we get into budgeting, we find that there are many more subdivisions of classifications of transactions that we need know about than those that we talked about as illustrated in the basic financial statements in

Section 7 of Part 5 of CUBA. As a matter of fact, when one is budgeting one is concerned with such things as the organizational unit for which the budget was being prepared, the kind of activity that it is carrying out, the presence or absence of special projects that may be carried on in addition to the regular program of this organizational unit, and, then, as far as expenditures are concerned, knowledge is required about the different objects of expense. When we first talked about expenditures I used the term "function" or "purpose." Basically functions are descriptive of why money is expended--what was to be achieved by the expenditure of funds. An "object," on the other hand, describes the goods or services which were required by reason of the expenditure. Object classifications would indicate that the expenditure was made for salaries and wages, fringe benefits, supplies, travel, telephone, and so on. In regard to "revenues," there would be the need to indicate not just the source of the revenue in general but the specific source, as well as the type of activity or organizational unit with which the revenue is associated or to which it is to be attributed.

C. Recording the Budget

Most accounting systems provide for recording of the approved budget in accounts that parallel the general ledger accounts so that reports can be prepared comparing budget with actual financial activity. One little feature to keep in mind is that when setting up budget transactions, as opposed to actual transactions, the debit and credit relationships are reversed. That is to say, the recording of an anticipated or budgeted revenue would produce a credit. Similarly, the recording of a budgeted expenditure allotment would be a credit balance and the actual expenditures themselves would be debits.

D. Encumbrances

Finally, the accounting system would provide for the recording of encumbrances which are, as I described earlier, contractual commitments to make expenditures. These encumbrances would be recorded in the accounts in the fashion that would make it possible to segregate encumbrances from actual transactions even though the debit and credit relationships would be the same for an encumbrance as for an expenditure. I might take a minute here to say that when a budget allotment is established then a credit is made to a budgetary account. When an encumbrance is issued there would be a charge against the account for the anticipated expenditure with a credit to outstanding encumbrances. When the actual liability was incurred you would eliminate the setting up of the encumbrance and put in its place the actual expenditure and liability therefore.

VII. BUDGET CONTROL STATEMENTS

Once the system has the capacity of coping with all three types of transactions--budget, encumbrance, and actual--then it is a simple thing, relatively speaking, to prepare reports which will provide each department chairman, division head, and so forth, with statements that will indicate the status of each budgetary expenditure account, as well as the status of each element of estimated revenue.

In a typical monthly report, normally referred to as a "monthly budget control statement," there would be a multi-column format. The first column would be the budget for the year. The second column might be the actual expenditures for this month. The next column might be the total expenditures for the year to date. The next column might be the outstanding encumbrances which have not yet been liquidated. Then, the last column would be the mathematical difference of all of the preceding columns. A credit balance would indicate an excess of budget over actual and encumbrances or, in other words, an available balance. A debit balance would be marked in a particular way to highlight the fact that it is an actual or potential overdraft. This would be the case of where the expenditures and outstanding encumbrances were in excess of the budget allotment.

VIII. CENTRALIZED VS. DECENTRALIZED CONTROLS

Fairly frequently elaborate controls are set up on a centralized basis to augment the record keeping that might be done at the local department level. The local department level record keeping is something that must be maintained in any event. For example, a department chairperson may be issuing requisitions throughout the month. Those requisitions would be going to the purchasing department. The purchasing department would be getting bids and so forth and ultimately issuing purchase orders. Once the purchase order is issued it would be entered into the accounting system. Thereafter, a report rendered on the status of that budget account would indicate the commitment of the purchase order against the budgeted funds. On the other hand, until such time as that purchase order is recorded, the financial report that is received from the central accounting office could not and would not include this float or the value or amount of purchase orders that are intended to be issued to cover the requisitions that have gone out. So there is always a certain amount of record keeping that must be maintained locally in order to keep the administrator up to date on what is going on.

But the central system itself can function effectively and one of the methods that is used to help control budgets with respect to purchase orders, for example, is to determine what the purchase amount is going to be; then, before issuing the purchase order, check to see whether funds are available. If funds are available, then the purchase order is released and recorded as a commitment or encumbrance. If sufficient funds are not available, then the purchase order is held, the department chairman is notified, and an increase in the budget to cover the purchase order must be obtained. Similarly in the area of salaries, contracted salaries can be and ought to be encumbered for the period of the employment contract or the fiscal year, whichever is shorter. The monthly budget control statements then would show the budget, the actual salaries paid to date, the encumbrances for the remainder of the year, and the uncommitted balance or overdraft.

IX. CONTROL OF SALARIES AND WAGES

In the area of budget control of salaries and wages, one of the important facts that everybody lives with is that salary budgets very often are not expended fully for the positions and people first planned on. As a matter of fact, this is an area that is often euphemistically referred to as "savings" in the budget. These would be amounts budgeted for salary positions which are not filled, or where there is turnover in personnel and new people are hired at a rate which is less than paid the former person, or where there is a vacancy for a period of time and the position is ultimately filled but the vacant period was uncompensated for. In the better accounting systems, these savings and uncommitted funds in the salary categories are tracked and watched very carefully. Depending on the management style of the institution, there may be periodic withdrawals from those budget accounts or, let's say, reductions of the budget, so that expenditure allotments may be reallocated to other purposes.

X. HIERARCHICAL CONCEPT REVISITED

Following the line of reasoning that we established in the beginning of these talks we can see the hierarchical reporting concept employed at its best in this area of budgetary control. For example, the monthly budget control statement that should be going to the department chairperson would provide as much detail as management style calls for. In many cases this calls for an enumeration of each and every transaction, with totals, of course, but showing each charge, each credit for the month. At the dean level, the dean would probably get at least two kinds of reports. One would be a detailed statement, very much like the department chairperson, covering the office of the dean which is a separate organizational unit and also a different cost function. The other would be a summary statement which would show the totals in each column, that is, budget, actual, encumbrance, and available funds, by department and within department, perhaps by object cost. It would not embrace a listing of each and every transaction, but would cover all the departments comprising the college. Of course we can carry this example on up to the vice presidential and presidential levels as well.

XI. BUDGET AND COST TRANSFERS

There are a couple of types of transactions that sometimes confuse some people that have to do with budgeting and cost control. One of these is the so-called "budget transfer." The phrase "budget transfer" is often used because this is the way people think about it. They think that they are transferring budget from one object code to another or from one organizational unit to another. There is the question: When does one actually transfer a budget as opposed to when does one transfer the actual cost that is incurred? Also there is the question: How does this relate to the transfers we were talking about in the basic financial statements you looked at earlier? Let's take those one at a time.

When one talks about a transfer of budget, it is much easier to understand if you think about it as being really two separate and distinct, although related, events. One of them is a decrease in an existing budget and the other is an increase in another budget. This logic holds true unless there was some kind of mistake made in the budget in the first place, in which case you are transferring the accountability for that expenditure to its proper category. Even so, it is just as well to think of this as a decrease in the original budget category and an increase in the new budget category. The purpose of such a budget transfer is to provide the permission to expend funds in the proper category, that is, in the category where the expenditure will be made.

One of the worst things that can happen--and that occurs frequently in overly regulated institutions--is the tendency to charge the actual expenditure to the account where budget balances exist. If this occurs in the system, it completely wipes out the effectiveness of any financial reporting and cost control. Remember that the budget is an estimate of how resources are expected to be used and where resources are expected to come from. The purpose of the general accounting system is to record what expenditures were actually made for what purposes, and how much money actually came from each source. Then one compares these two phenomena and comes up with an evaluation. The actual transaction should never be misclassified to fit the budget. You should change the budget to fit a new concept of what the actual activity is going to be. The kind of transfer that we were talking about earlier occurs when you are moving funds from one fund group to another, for example, from current funds to quasi-endowment funds.

The budget activity we are talking about and all of these actual transactions and encumbrances ordinarily would affect current funds exclusively. Most of the activity would take place in current unrestricted funds. A lot of this activity could also take place in current restricted funds. In any event these are both within the major current fund category.

There is another type of transfer which is a cost transfer, a very commonly found phenomenon presenting a particular kind of budget control problem. Most colleges and universities have service units in their organizational structure which exist to provide services or goods to other departments or units of administration of the institution. These service units are to be contrasted with auxiliary enterprises which exist to provide services and goods to students, faculty, and staff outside of the requirements of the organization as such, that is to say, for the personal consumption or use of those people as individuals. Where the objective of the service unit is to provide service to other administrative units of the institution, then we have a cost transfer accounting problem.

For example, let us assume we are talking about an internal print shop. When the print shop is called on to render services it must first incur costs itself. Those costs are charged to a cost center or budgetary account for the print shop itself. At the conclusion of the job, a determination is made as to how much it cost to produce that job. Then a journal entry or cost transfer document is introduced into the system which would relieve the operating account of the print shop of the cost associated with that job and would charge them against the department which received the services. Two important considerations here: one is how to control the operation of the print shop as such, and the second is how to control these costs in the department which is being served. Where this is a significant problem, some system of estimation is useful. If the amounts involved are small, then it is not worth the trouble.

There is a third kind of problem that needs to be kept in mind and that is that the amounts of cost transferred from the servicing department, the print shop in this case, are not items of revenue but are reductions of expenses, so in aggregating the activities of the print shop one would deduct the transferred costs from the actual costs incurred. The resulting difference would be reported as part of institutional expense or in some other appropriate category. Ideally the difference would be zero, that is, all associated costs for the activity would have been transferred to the user. In a practical sense this almost never occurs so some adjustment or some net figure results and must be accounted for. Furthermore, from a budgetary control standpoint the print shop itself needs to be evaluated and therefore it has to prepare a budget as to what it thinks its level of activity is going to be, what its costs ought to be, what its equipment needs are, and so on. Then its monthly report will tell how much activity has been generated, how much costs have been transferred, what its own costs have been, and so on.

Cost transfers of this sort are probably going to multiply in many instances in institutions as the utility of this device becomes more apparent in more cases. For example, the computer center is one which lends itself well to this kind of treatment. In the absence of making such cost transfers to user departments, one winds up with a great big glob of computer cost which is providing an enormous benefit to user departments which would otherwise have been operating on a manual basis. Yet, there is no way of associating the computer cost with the user in the absence of the cost transfer system. In summary, what is achieved by such cost transfers is to try to affix the responsibility for the conduct of various professional services in unique costs centers and then to transfer those costs to the user of the service so that the ultimate beneficiary can be evaluated in terms of what it took to carry out that particular program or activity.

The extent to which this cost transfer technique is used relates directly to the management style, objectives, and concepts that are established within the institution. There are some well-known universities that have been reputed to have operated on the basis of every tub on its own bottom. The thought here is that budgetary control or financial control would best be carried out within a framework of economic self-sufficiency. So each college or major division is charged with all of the costs associated with it and is credited with all the revenue that it earns plus some portion of unrestricted revenue which is allocated among all the units. Then a bottom-line profit or loss, surplus or deficit, is developed for each of the schools and divisions. The theory is that those that are able to develop adequate financial resources are given the privilege of spending them, whereas those not able to do so are encouraged or required to cut back their expenditures to fit their revenues. Few if any institutions are able to do that on a wholesale scale because there are always programs that will never be self supporting and similarly there will be institutional elements or programs that because of the market and other conditions will always be generating surpluses. Some method of sharing the wealth must be developed by the administration. Even so, the overall concept might produce some useful information if there is agreement on what the objectives are.

An interesting illustration, by the way, of how this concept has broadened over the years is the treatment of staff benefits. If you look at the literature of not too many years ago, one of the functions of expense was staff benefits. The literature described the fact that you could either charge staff benefits to one set of accounts, or they could flow with the salary costs into the departments, divisions, and functions to which the salaries related. Today, the literature unequivocally says that fringe benefits should go along with salary so that total compensation is attributed to the ultimate cost center. Recently there have been discussions in some colleges and universities of the advisability of developing cost transfer techniques for budgeting and budgetary control purposes, if not for general-purpose financial statement purposes, with respect to operation and maintenance of plant. Plant operating costs are a very significant portion of total operating costs and the demands for space at particular times of the day or week by one department may be extraordinarily heavier than other departments. Failure to understand this cost impact could lead to a serious misunderstanding of what is going on in the institution.

Another concept in the budgeting process is that the more of these costs that can be built into the local departmental budget the more likelihood that a bargaining process can take place at the departmental level where trade-offs can be made which could help to keep the total cost of operations down.

The conventional wisdom in developing departmental reports and instituting budgetary controls and reports has emphasized the comparison of budget versus actual expenditures on the one hand, and separately comparing actual versus estimated revenues. Frankly, very often the people who are looking at the revenues are not the ones who are looking at the expenditures and vice versa. The information only comes together at a fairly high level of aggregation where certain sensitive things may not be quite so apparent.

There are certain departmental operations or unit operations within a college or university which automatically begin to look at these matters in a different way. For example, auxiliary enterprises are concerned not just with budgeted revenue versus actual revenue and budgeted expenditures versus actual expenditures, but with the relationship of revenue to expenditures per se. The concept is that the auxiliary enterprise ought to be self sufficient. Therefore, the real constraint on its expenditure level is the amount of revenue it generates. For example, there is no point in limiting the purchases of a book store to its estimated budget at the beginning of the year if the need for those additional purchases is coming from increased sales which augment revenues by a substantially greater amount than the cost of the purchase. So the evaluation of budget performance here is not simply expense to expense and revenue to revenue, but of revenues to expense.

XII. VARIABLE BUDGETING

Clearly the period we are getting into now is one of steady state enrollments and declining enrollments. There is certain to be increasing competition for scarce resources. It is going to become more important for colleges and universities to develop variable budgets, that is, budgets that are predicated on two or more estimates of revenue based on two or more assumptions about the level of enrollment or other demand for services. Increasingly, therefore, it will become imperative to check the validity of the budget not only in terms of actual versus budgeted expenditures, but to constantly check by comparing the actual expenditures against the actual revenues to see whether or not any change in actual revenues calls for some corresponding change in the budgeted expense allocations.

The planning, operating, controlling, and evaluating of institutions of higher education are becoming an increasingly complex process. The role of budgeting in that process is becoming an increasingly sensitive issue. And the absolute necessity for a responsive accounting system which will enable the budget to become a useful tool in the management process is greater now than it ever was, and it will continue to grow in the years to come.

USING CASE MATERIAL

USING CASE MATERIAL

I. INTRODUCTION

Included in this section are a case, assignment sheets for workshop participants, and instructions for workshop facilitators. So that you might know how to use the case materials, also provided in this section are a condensed description of the three workshop sessions, suggestions for printing and using the materials, suggestions for selecting and training workshop facilitators, and a method for assigning participants to workshops.

II. STRUCTURE OF WORKSHOPS

A. General Instructions for Case Workshops

This session, on the first day of the conference, should be used primarily to answer participants' questions about the case workshops. The member of the conference planning group who is most familiar with the case and the workshop facilitators should be responsible for this session. You should use this session to be sure that each participant:

- understands the basic format of sessions;
- has group assignments and room assignments;
- has the Introduction and Parts I and II of materials; and
- understands the role of the workshop facilitator.

B. Workshop I

In Workshop I, each participant functions as part of a particular budget request group for a particular academic department or support unit. The groups are as follows:

English
Economics and Business Administration
Physics
Music
Admissions
Library
Student Services
Development
Physical Plant

The optimum size for each group is 10 persons; the maximum for each is 13 persons. If more than 117 (9 x 13) people attend the conference, do not squeeze additional people into the nine groups. Instead, start more groups. There is no problem with the use of the case if there is more than one group acting as a particular department or unit.

Participants should have read the Introduction, Part I, and Part II of the case. At the beginning of the workshop, the facilitator should distribute a copy of the assignment sheet to each member of the group. When the request has been prepared, the appropriate Education and General Funds Budget Sheet (see Part II) and Program Rationale documents should be given to the workshop facilitator. The workshop facilitator should be prepared with a blank copy of each document to record the group's request.

C. Workshop II

For Workshop II, the attendees are assigned to different groups of between 10 and 13 people, each group functioning as the priorities committee of the governance system of Persons College. In this session, the workshop facilitator should give the priorities committee an assignment sheet which includes a "Summary and Review of Person's College Department Budget Requests"--fictitious departmental requests and an initial administrative review of those requests which have been prepared and included in this manual. You should use these materials rather than the actual requests which the groups prepare in Workshop I because of the difficulties of collecting, reading, and duplicating their documents in the time available. The initial administrative review also helps to focus the attention of priorities committee members on some of the important issues of the review process. (You may, of course, choose to modify the suggested procedures.)

In Workshop II, the priorities committee reviews Parts I and II of the case and studies the departmental requests. The committee is charged with setting program priorities, making recommendations for each department, and preparing a summary of current fund expenditures.

During Workshop II, the conference coordinator should visit each priorities committee and observe its progress. Before 5:00 p.m. on the second day of the conference, the coordinator should select a committee which has been functioning well and inform the members that they have been chosen to present their recommendations to the budget and finance committee at 10:30 a.m. on the third day.

D. Workshop III

The single priorities committee which the conference coordinator selected prior to the end of Workshop II will present its recommendations to the budget and finance committee of the board of trustees. Six of the members of the priorities committee will play roles: president, vice president for finance, vice president for academic affairs, planning officer, faculty representative, student representative. The remaining members of the priorities committee will serve as general resources to the persons playing roles.

The priorities committee should give a copy of its budget documents to the conference coordinator at 9:00 a.m. on the third day so that overhead transparencies can be made for use in the session.

The budget and finance committee should be made up of workshop facilitators who are knowledgeable about program and budgetary issues. They should ask the priorities committee to make a formal presentation (approximately 30 minutes) and then ask questions. You are encouraged to make this session a combination of ser[illegible] analysis and humor. You want to make this an interesting and plea[illegible] experience for those conference participants who are observing the p[illegible]ntation.

III. USE OF MATERIALS

Introduction Part I Part II	Mail to participants before conference. Use throughout the workshops; be sure facilitators have an extra copy of the budget worksheets contained in Part II for use by their respective departments in Workshop I.

Assignment Sheet and Accompanying Materials:	Workshop I	Give 15 sets to each workshop facilitator. The facilitators should distribute them at the beginning of Workshop I.
Assignment Sheets and Accompanying Materials:	Workshop II	Give 15 sets to each workshop facilitator. The facilitators should distribute them at the beginning of Workshop II.
Assignment Sheets and Accompanying Materials:	Workshop III	Give 15 sets to the workshop facilitator of the chosen priorities committee at 5:00 p.m. on the second day. The facilitator should distribute them immediately. Copies should be distributed to other participants at the beginning of Workshop III.
Instructions for Workshop Facilitators		These should be mailed to facilitators along with a complete set of the other case materials two-three months in advance of the conference.

IV. ASSIGNMENT OF PARTICIPANTS TO WORKSHOPS

Attendees should not choose their own groups; they should be assigned to groups randomly. The particular method of assignment to groups may be accomplished in whatever manner is most effective for you. The object is to have an equal number of people in each group and to be sure that the groups formed for Workshop I are not the same as for Workshop II.

One way to assign individuals to groups is to hand to each person entering the general session meeting room for the 2:00 p.m. session on the first day a slip of paper indicating the assignment (room number and group name) for Workshop I and the assignment (room number and group number) for Workshop II. This type of assignment to persons actually attending the conference is preferable to one using the pre-registration list.

V. SELECTION AND TRAINING OF WORKSHOP FACILITATORS

The importance of the facilitators in each budget session cannot be overemphasized. If they are not prepared or are uninformed, the conference may be a disaster. Participants will come prepared to learn much about the theory and mechanics of budgeting; facilitators must be familiar with the case material, general teaching techniques, and conference logistics.

Facilitators should be persons who have some work experience in the department or administrative offices in the case, e.g., physical plant, English department, admissions office, etc. For conferences which are directed toward an exclusively female audience, facilitators selected should be women in order to provide role models, to provide a leadership experience, and to encourage uninhibited audience participation.

When asked to participate, facilitators should be told the approximate time required for preparation and participation. Because they play such a critical role in the success of the workshop experience, people who cannot devote the necessary time should not be selected.

Tasks 4-6 months before the conference:

- Identify and select the facilitators.

- Mail the facilitators a thank you letter outlining their responsibilities, confirming the dates, and explaining the arrangements for reimbursing their expenses.

Tasks 2-3 months before the conference:

- Mail the case material and all supplementary material to the facilitators along with a letter asking about a convenient time for a preconference training session. If the facilitators are from the immediate area, the preconference session may be held 4-6 weeks prior to the workshop; any flaws in the logistics for the conference are usually uncovered in this session, so it's helpful to have it as early as possible. If the facilitators live too far from the workshop location to commute twice, the preconference session should be held the day preceding the opening of the conference. At least three hours of training must be provided to ensure a satisfactory quality of instruction and case experience for participants. THIS PRECONFERENCE TRAINING IS ESSENTIAL.

- Hold the preconference training session, using the materials provided in the manual.

Tasks 1-2 days before the conference:

- Contact all facilitators by phone to confirm time, place.

Tasks 2-3 hours before Workshop I:

- Assemble facilitators and inform them of any last-minute changes.

- Distribute assignment sheets for Workshops I and II to facilitators.

- Arrange a place where they can come to ask questions if problems arise.

PERSONS COLLEGE CASE MATERIAL

INTRODUCTION

PERSONS COLLEGE CASE

INTRODUCTION

In order for you to make some of the decisions typically involved in the budget process, you are asked to participate in a budgeting exercise. The case used is a version of the "Peoples College" case, originally developed by the National Association of College and University Business Officers (NACUBO).

This revised "Persons College" case has been included in the workshop materials because this participation in case analysis will assist you in sharpening your analytical skills and will allow you to practice the application of the finance and budgeting concepts presented in the conference lectures. You will be immersed in the facts, values, and attitudes of a particular college community and be asked to identify problems, analyze causes, set objectives and priorities, and develop and select recommendations for action.

Use of the Persons College case will involve participants in several distinct phases of the budgeting process. Each of you will have an opportunity to function as a department member in preparing a departmental budget request and as a member of the priorities committee in reviewing proposed budget requests and new program proposals; some participants will also function as administrators presenting a proposed budget to the budget and finance committee of the board of trustees.

You are requested to read Parts I and II of the case materials prior to the conference. Part I contains general background information about Persons College. All of the material in Part I may not be used in the actual case; it is presented here to show you what kinds of information need to be considered in the budgeting process. Part II contains detailed information about a selected set of academic departments and support units as well as summary budget information.

This case analysis will not be easy. Some of you will be confused by the existence of too much information, while others will find that seemingly essential facts are missing. Once you have made your decision, you will want to know whether your recommendations were right or wrong. In fact, there is no one correct solution to any case, but you will receive feedback about the strengths and weaknesses of your analysis from the workshop facilitators. You will be able to practice your decision-making skills, to risk commitment in the face of limited information, and to evaluate your performance. We also hope that you'll have fun!

PERSONS COLLEGE CASE MATERIAL

PART I

DESCRIPTION OF PERSONS COLLEGE

PERSONS COLLEGE CASE MATERIAL

PART I

DESCRIPTION OF PERSONS COLLEGE

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I. DESCRIPTION OF PERSONS COLLEGE

A. General

Persons College is an independently financed liberal arts institution with 1,796 full-time equivalent undergraduate students and 140 full-time equivalent faculty. The college is located in a midwestern city. It has an excellent reputation in its region and is recognized nationally. The 9,500 alumni are proud of their alma mater and especially of its tradition of liberal education at the undergraduate level.

Persons College was accredited by the North Central Association in 1924, and 15 years later it was awarded a chapter of Phi Beta Kappa. When founded in 1883, Persons College was located on farm land at the outskirts of the city. Today it is surrounded by a dense metropolitan region of over 1,500,000 persons. It has the usual problems of an urban college: a nearby ghetto, industrial and commercial encroachment, noise and pollution, crime in the neighborhood, and heavy vehicular traffic around and on the campus.

B. Financial

Persons College is having serious financial problems. In spite of a board of trustees' policy that budgets be balanced, the college has run deficits for three consecutive years: $161,000 in 1973-74, $185,000 in 1974-75, and $165,000 in 1975-76. The projected deficit for 1976-77 is $254,000. These deficits, financed by utilizing current restricted fund balances, have seriously eroded the cash position of the college, and it is likely that short-term bank loans will be required in 1976-77. The market value of the college endowment is approximately $30 million.

C. Student Body

The student body seems to be a relatively able group, although the ratio of number of applications for admission as compared with the number accepted has declined sharply in the past two years. There are 24 National Merit Scholars enrolled, and the average SAT scores for entering freshmen are: verbal, 575; math, 590.

Only about 1 percent of the students are enrolled part-time (less than 12 semester credit hours per term). The mean student age is 19.3 years. Approximately 58 percent of the students are male, 42 percent are female.

Persons College has evolved as a nonresidential campus; all of its students reside with their families or in noncollege housing in the surrounding city.

The student body may be divided politically into four groups:

(1) Career-oriented students (35 percent), who are pressing for a change in the curriculum from the liberal arts orientation to a career orientation.

(2) Good timers (25 percent), who resist all pressure by faculty to make

their academic programs more demanding and insist on increasing support for student activities.

(3) Minority (5 percent), who actively criticize the college's practice of admissions and employment practices. They also have affiliations with similar groups in the city and with local political groups.

(4) Liberal arts students (35 percent), often liberal arts majors in the English, history, and philosophy departments, who believe the college is surrendering its heritage in becoming more career oriented.

A number of issues may bring various political groups into coalition. Minority issues, especially related to career opportunities, may bring the feminist, black and career-oriented students together.

D. The Faculty

The faculty is generally competent, with 73 percent holding the doctorate. They have been well paid in recent years and teach an average of 10.3 weekly student contact hours.

The faculty may be divided politically into four groups:

(1) The old guard (30 percent), traditional liberal arts people who hold most full professorships and chair most departments.

(2) The researchers and professionally oriented faculty (20 percent), who are not involved in nor interested in most attempts to change the college. They are absorbed in their own research and creative work.

(3) The teachers (30 percent), who tend to band with the old guard on important issues and want to retain the status quo. They rarely hold terminal degrees or are graduates of marginal institutions. They tend to be followers rather than leaders.

(4) The youngest faculty (20 percent), who are untenured and often see opportunities for tenure in the rising career orientation of the students. They are aided in this by the administration, which attributes the drop in applications to the traditionalist, liberal arts orientation of the college.

E. Administration and Trustees

The president and her senior academic administrative colleagues are young, intellectually capable academicians. The chief financial officer is a competent career professional, although he has a tendency to press too hard for any changes that would make the college financially secure. As a relatively new administrative team, they are trying to solve the financial problems of the college and develop some modern techniques of management, including PPBS. The other administrators are plodders who show definite signs of professional atrophy, except for a few young people who are advocates of management information systems and management by objectives.

The board of trustees meets two times a year and its executive committee meets an additional four times during the year. The board recently has assumed more control than in the past because of the financial problems, the decline in applications, and the newness of the administration. The recent changes in the administration were the board's decisions, and the new administration is under a specific mandate to develop a curriculum which is more career oriented and to find a way to limit annual expenditures to fit available revenues. There has been a proposal by the administration to launch a capital campaign in 1977, but the board is lethargic in its response to the proposal. As presently led, the board tends to attack the college's problems on a piecemeal basis rather than as they interrelate with one another. No long-range institutional plans exist.

II. MISSION OF PERSONS COLLEGE

Persons College is an independently financed liberal arts college. Our inheritance of a liberal arts tradition requires that we refurbish our plans and programs to accommodate to change and to provide for the survival of the traditional purposes of the college: to help the students gain posession of their minds and to help them get in touch with their feelings.

However, Persons College believes that education, when conducted along sane and practical as opposed to dogmatic and theoretical lines, is one of the great civilizing influences. We believe in the fundamental worth of a broad exposure to human intellectual and artistic achievement. We value as a preeminent liberating instrument of man the opportunity to ponder and enjoy the best that men and women have thought and said about human nature, the world they inhabit, their place in it, and their relationship to their fellows.

III. GOALS OF PERSONS COLLEGE

(1) The college seeks to attract and admit students of high intellectual ability and promise, excellent character, and sense of purpose, who possess potential for leadership, constructive service, and contribution to mankind.

(2) The college will maintain a financial aid program which permits attendance by persons from a broad range of economic brackgrounds and which will meet the fairly ascertained needs as determined by the college scholarship service of all continuing students and all new students admitted.

(3) The college believes that the quality of education depends in substantial measure on the quality of the teaching staff. In order to maintain an outstanding faculty, average salaries will be paid at the "1" level of the AAUP (American Association of University Professors) scale and a faculty-student ratio of 1-12 will be maintained.

(4) The college seeks to provide strong and attractive programs of study in each of the major divisions of the liberal arts, with increasing emphasis on career orientation. Students are encouraged to have

broad exposure in each of the divisions. In view, however, of the necessity of keeping its activities within the bounds of its resources, the college limits its course offerings largely to the fine arts, humanities, natural sciences, social sciences, and business.

(5) The college seeks to maintain and develop effective channels of communication between the campus community and society, providing means for the continuing exchange of persons and ideas between the two.

(6) The college seeks to develop in all its students a knowledge of and a sensitivity to the world outside our national boundaries.

(7) The college seeks to develop in its students a knowledge and understanding of the urbanization of our society and of the problems and resources of its urban community.

(8) In an effort to strengthen its educational program, while at the same time limiting the increase in cost of this program, the college cooperates with other colleges and universities through consortia and other means of interinstitutional cooperation.

IV. STATEMENT OF PERSONS COLLEGE POLICIES

(1) Sex, as a variable in the admission process, will not be recognized.

(2) Admission to the institution will be based primarily on measurable ability to carry out high-level academic work.

(3) There are no regulations or policies limiting the number of faculty within a given department who may hold the same rank.

(4) The tenure policy of the college is identical to that suggested by the AAUP/AAC (American Association of University Professors/Association of American Colleges).

(5) The college will operate with a balanced budget. In very special circumstances, with approval of the governing board, the balance may be over a longer period than a given 12-month year.

(6) Permanent new programs (those anticipating more than two years of operation) must be funded by new endowment specifically raised for this purpose, and/or by identifying expendable programs from among those presently budgeted.

(7) Faculty members will teach three courses in each regular term, or an average of nine student contact hours per week.

(8) The facilities of Persons College can accommodate a maximum of 2,000 head-count students. The board of trustees has set this number as a ceiling while the administration has set it as a goal to be reached by 1980 and maintained after that year.

(9) Persons College is committed to a policy of nondiscrimination in all of its relationships. To implement this policy, the college will take affirmative action to ensure that equal employment opportunity

is afforded to all qualified individuals. The college will refrain from using any policies or procedures which could lead to discrimination.

V. PERSONS COLLEGE PLANNING ASSUMPTIONS

(1) International situation: There will be no major war during the planning period. Occasional minor conflicts are likely in such places as the Middle East, Asia, Africa, and South America. These conflicts will maintain a continuing state of unease with attendant high defense budgets.

Stabilization of the dollar in international money markets of interest to Persons College will be accomplished gradually during the next few years.

(2) Prices of goods and services: Other than food and energy, prices will rise at a rate of between 6 percent and 7 percent in each of the five years. Goods prices will begin to follow the rest of the economy early in the period. Energy prices, including gas and electricity, will increase sharply--electricity as much as 40 percent in the five years, gas 100 percent.

(3) National faculty salary trends: With a shift to a buyer's market, except in a few special fields such as business, national faculty salary and benefit increases will tend to follow at or slightly below the increase in the cost of living.

(4) Area colleges: Enrollment at the local state university campus will stabilize at 10,000 FTE students. The two new area community colleges are expected to grow from 2,000 FTE to 3,000 FTE total students.

(5) Continuing education: Community interest in continuing education courses at Persons College is expected to grow. This is particularly true of those programs in business, banking, and medical technology.

(6) Student enrollment: Barring successful efforts to recruit junior and community college transfer students, the enrollment of Persons College is expected to remain constant for the next five years.

VI. PERSONS COLLEGE--SUPPORTING STATISTICAL DATA

(1) Student Retention

Percentages of original freshmen class at Persons College who return as:

Class of	Sophomores	Juniors	Seniors
1973	90.4	65.8	75.4
1974	82.4	60.9	59.5
1975	86.2	66.4	62.0
1976	89.1	59.7	63.0
1977	79.0	61.3	
1978	80.3		

(2) Selectivity of Admissions Process

Class of	Admission for Fall	A Applied	B Admitted	C Matriculated	Percentage B/A	Percentage C/B
1976	1972	1,537	1,153	600	.75	.52
1977	1973	1,529	979	578	.64	.59
1978	1974	1,320	1,083	596	.82	.55
1979	1975	1,245	1,084	585	.87	.54

(3) Historical Enrollment Data--FTE Students

Academic Year	Freshmen	Sophomores	Juniors	Seniors	Total
1971-72	594	389	298	254	1,535
1972-73	573	512	299	285	1,669
1973-74	555	518	397	301	1,771
1974-75	589	493	402	371	1,855
1975-76	585	479	354	378	1,796

(4) Departmental Enrollment Data for Persons College

Fall, 1976 (Approximate)

Departments	Student Credit Hours	Majors--Head Count
Physics	500	10
Chemistry	1,000	50
Biology	2,000	75
Mathematics	2,000	50
English	3,500	100
Music	500	50
History	2,500	100
Languages	3,000	70
Art	1,500	25
Philosophy	500	10
Psychology	3,000	200
Sociology	2,000	150
Government	2,000	75
Economics/Business Adm.	2,000	125
Undecided	-	710
Total	26,000	1,800

NOTE: Over the past three years, the proportion of total student credit hours taught in the college has declined significantly for physics, languages, philosophy, and music. The proportion has increased significantly for biology, psychology, and economics/business administration.

VII. PERSONS COLLEGE--REVENUE ESTIMATES FOR THE FIVE-YEAR PLANNING PERIOD

The five years which lie ahead appear to be years of struggle for the private sector of higher education, especially the small liberal arts colleges. Enrollments continue to drift downward and public institutions are aggressively seeking new students. Public institutions are also proving to be good fund raisers from private donors and have enjoyed relatively better success in the past several years than have private institutions, where fund raising has reached a plateau. The difference in cost between private and public institutions--now about $1,600 annually--will likely continue to increase and will result in an even higher proportion of students attending public institutions.

Persons is stronger than the average private college. It is blessed with an exceptional location and a broad support base from alumni, friends, and foundations. It has a gifted student body and an unusually well-qualified faculty. Even with these assets, however, the next five years will challenge the ingenuity and endurance of the governing board, administration, and faculty.

Specific assumptions about the future on which Persons College has based its revenue forecasts are presented below:

A. Income from Students

(1) It is assumed that Persons can attract and that the admissions office can enroll 625 new students annually (total of new freshmen and new transfers) through the planning period.

(2) It is assumed that student enrollment can be maintained only with an increased level of student financial aid.

(3) The projected retention rates for returning classes assume a slowly improving situation.

(4) Tuition will be increased approximately by the rate of inflation in the planning period, reaching a high of about $3,100 in 1979-80.

Year	Tuition	Percent Increase	Cost-of-Living Increase
1971-72	$2,000	-%	4.5%
1972-73	2,100	5	3.5
1973-74	2,200	5	8.0
1974-75	2,300	4	10.1
1975-76	2,500	9	9.0 est.
1976-77	2,700	8	6-7.0 est.
1977-78	2,800	4	5-6.0 est.
1978-79	3,000	7	6-7.0 est.
1979-80	3,100	3	6-7.0 est.

B. Endowment Income

(1) It is assumed that a $3 million capital fund effort will be launched in the spring of 1977 and will produce additional endowment funds.

Only about $10,000 of unrestricted and $25,000 of restricted new additions to the $40 million will be available for fiscal year 1977.

(2) The average rate of return being earned on the stocks, bonds, and other securities in which the endowed funds have been invested is expected to remain about 5 percent in fiscal year 1977.

(3) In the past, the Persons College trustees have not allowed the inclusion of market appreciation in income from endowment and are unlikely to revise their policy.

C. Gift Income

(1) Gifts for the support of the current operating budget which do not require a corresponding increase in expenditures will be increasingly difficult to obtain in the next five years.

(2) Alumni giving ($125,000 in fiscal year 1976) is expected to reach a plateau of $200,000 by fiscal year 1980.

(3) Foundation support ($200,000 in fiscal year 1976) is expected to decline to $175,000 by fiscal year 1980.

(4) Beginning in fiscal year 1977, funds generated by the $3 million capital fund campaign will be used to cover a portion of the cost of fund raising, record keeping, and processing. These funds will be used to support the current operating budget and will be recorded as "other restricted gift income."

D. Government Grants and Contracts

Federal grants and contracts to support research and training will continue at relatively low levels for the next five years.

E. Auxiliary Enterprises

Income will keep pace with cost-of-living increases through price adjustments.

F. Student Aid

Funds available for student aid will exhibit the following percent changes:

Year	College Funds	Federal Work Study	Federal SEOG	State Funds
1976-77	5%	6%	2%	3%
1977-78	5	5	1	3
1978-79	4	5	0	2
1979-80	3	5	-10	0
1980-81	2	5	-10	0

Revenue Estimates:

	1977-78			Prior Year
Revenues	Unrestricted	Restricted	Total	Total
Tuition and fees	$4,844,700	$ -	$4,844,100	$4,658,000
Federal grants	130,060	483,440	613,500	602,000
State grants	42,000	-	42,000	38,000
Private gifts and grants	684,550	423,750	1,108,300	1,090,000
Endowment income	849,600	763,700	1,613,300	1,611,891
Sales and services of auxiliary enterprises	221,500	-	221,500	210,000
Other sources	54,500	67,500	122,000	117,000
Total current revenues	$6,826,910	$1,738,390	$8,564,700	$8,326,891

PERSONS COLLEGE CASE MATERIAL

PART II

DEPARTMENT PROFILES AND BUDGET WORK SHEETS

PERSONS COLLEGE CASE MATERIAL

PART II

DEPARTMENT PROFILES AND BUDGET WORK SHEETS

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I. ENGLISH DEPARTMENT

(1) The English Department is one of the largest departments at Persons College; at the same time it is one of the most progressive.

(2) Principal current activities of the department can be summarized as follows:

- 7 introductory courses (44 sections) each semester, enrolling all freshmen and about 60 percent of the sophomore students; average class size is 20 students.
- 1 remedial service course (2 sections) each semester; average class size is 15 students.
- 8 required major courses (8 sections) each semester; average class size is 20 students.
- 6 other upper-level courses (6 sections) each semester; average class size is 20 students.
- Research project in the "History of the English State" (funded by a grant at $40,000 per year) which provides summer employment for several faculty and students.
- Language instruction to local Spanish-American children (no additional compensation or authorized reduced teaching loads).

(3) Among the main issues facing the department are the following:

- Last fall the English faculty voted to take steps to initiate the introduction of a linguistics major as soon as possible. Several courses in linguistics are already offered, but a major would probably require the addition of one and a half senior staff members.
- Strong student pressure for more courses in ethnic literature is being expressed. The academic vice president of the college has agreed that the department ought to offer these courses, but the current faculty is not prepared to teach such courses.
- The senior faculty have proposed that all English courses required of majors in the senior year should be given on a tutorial basis (at a maximum of three students per faculty member).
- The department is being pressured by faculty from outside the department to offer remedial reading, writing, and analytical thought courses for credit. Many faculty are distressed by the poor preparation of almost one-half of the students who are enrolled in their courses.

II. DEPARTMENT OF ECONOMICS AND BUSINESS ADMINISTRATION

(1) The department is staffed with two full-time economists (one with tenure) and four full-time business professors (three of whom have tenure). It also has five part-time instructors in business administration, each of whom teaches one course every semester (equivalent to 1.2 full-time faculty). All offerings are undergraduate courses. Two major sequences are offered: the Bachelor of Arts in Economics and the Bachelor of Science in Business Administration. The department is under sterm warning from the president not to overspend in 1976-77, as it had done in 1975-76 when, as viewed by other departments, it began to "build an ampire."

(2) Principal current activities of the department can be summarized as follows:

- Introduction to Business Administration (7 sections per semester, with an average of 35 students per section).
- Economic Principles (4 sections per semester, with an average of 35 students per section).
- Introduction to Statistics (4 sections per semester, with an average of 35 students per section).
- 6 upper-level economics courses per semester, four of which are open only to economics majors (average of 9 students per section).
- 7 upper-level business courses per semester, 5 of which are open only to business administration majors (average of 21 students per section).

(3) The department is divided on the issue of preparing Persons College students for business careers. The chairperson is advocating a strong economics program. He would enlarge the department to include two more economists, and he makes no secret of his wish to oust the senior professor in business administration, replacing him with another economist--making a total of five economists.

He would also dispense with most of the part-time business lecturers, retaining as electives only a few "fundamental" courses such as basic accounting and marketing. The economists argue that the business world is not especially interested in business majors from a small college. They feel that the department should act in accordance with recently stated goals for the college to enlarge the stream of students flowing into graduate schools. Over two-thirds of the economics majors who enter graduate and professional school enter a graduate school of business, usually a leading school; on the other hand, the business majors frequently have difficulty entering any graduate school of business.

The other faction, consisting of the business professors, empathizes with Persons College's "career-oriented" students. This faction argues that economics is neither as relevant nor as practical as business administration for most of the department's students; that the majority of the department's majors know almost nothing about the business world, but are highly interested in it; that economics is too theoretical and boring for those students. While the BA faction is not advocating the discontinuance or reduction of economics courses, members of this group feel strongly that the department's expansion should be in the business administration area.

III. PHYSICS DEPARTMENT

(1) The goals of the Physics Department are now consistent with those of Persons College. The department has recognized the steady decline of physics majors, and over the past few years has been trying to develop the program along the lines of a nonmajor department. It has provided basic service instruction in physical sciences to students majoring in anthropology, biology, chemistry, paramedicine, and psychology.

(2) The college curriculum committee has approved a new course in astrophysics to begin in 1976. NSF funding in support of this course has been obtained for two years. It expected that the college will assume funding responsibility ($3,000) beginning 1978-79. The purpose of this course is to provide familiarity with certain basic principles and terms of astrophysics. It is designed to support programs being developed in the business department in space-industry management.

(3) The principal current activities of the department can be summarized as follows:

- 2 "Introduction to Physics" and 2 lab sections each semester (average of 18 students per section).
- 2 "Foundations of Physics" and 2 lab sections (average of 14 students per section).
- 2 of the 6 departmental major courses each semester (limited to 10 students per section).

(4) The principal issues facing the department are:

- One of the professors, an "old-timer," feels as though the department has sold out in its attempt to develop programs for nonmajors.
- Even though the leadership in the department has responded to new needs, there is still a problem of articulation among the various departments whose students it serves. Two members of the college curriculum committee have felt that these new directions are costly and unnecessary. They have felt that the programming serves only to preserve the department rather than legitimately serve nonmajors. They have pushed hard to eliminate the department and reallocate the funds to other priorities.
- Because Persons College has neither an astronomy nor a geology department, the most politically active member of the department is suggesting that the department develop introductory courses in those areas. Such courses might be a more attractive means of meeting the science requirement to many students; because the course could be taught in large lecture sections, the department might dramatically increase the number of student credit hours taught per faculty member without much real

increase in workload. Two part-time faculty might be needed to teach these courses.

A persistent problem for the department is the fact that insufficient funds are available for the purchase of essential equipment. Over the past decade the equipment inventory for teaching and research has become more antiquated and the need more critical.

IV. MUSIC DEPARTMENT

(1) The department is staffed with two full-time and five part-time faculty--musicians and musicologists. Each of the five part-time faculty teaches one course every semester (three part-time faculty are equivalent to one full-time faculty member). All departmental offerings are undergraduate courses. There are two major sequences, B.A. and B.M.: Bachelor of Arts in Music and Bachelor of Music. The latter requires a minimum of 60 credit hours in music and musicology, with a maximum of 69 credit hours permitted toward the major.

(2) The principal current activities of the department can be summarized as follows:

- Music appreciation courses (2 sections taught each semester designed to meet the fine arts requirements for the freshman-sophomore program of general education; 20 students enrolled per section).
- Courses required of all music majors in both programs (3 sections taught each semester, with about 20 students per section).
- Additional courses required for the M.A. in Music (2 sections taught each semester, with 12 students enrolled per section).
- Additional courses required for the B.M. (2 sections taught each semester, with 10 students enrolled per section).
- Optional courses for B.A. and B.M. majors (2 sections taught each semester, with 5 students enrolled per section).
- Private instruction and ensemble instruction for academic unit for B.M. majors, also taken as electives by a few nonmajors (20 students each semester).
- Choir direction (noncredit); one production annually of an opera (noncredit); band direction (noncredit).
- Program of concerts by prominent musicians.

(3) Like all departments in the college, the Music Department wishes to improve and expand its programs which give a classical education and instruction in classical music. There is no division of opinion within the department about this goal, but there is division about how to prevent the program from being damaged or destroyed by dissatisfied students, dissatisfied alumni who are musicians, and a penny-pinching administration. The major issues which the department faces are:

- Apart from its work with the band, the department now, as always, is concerned exclusively with teaching classical music and musicology; with private and ensemble instruction; with public performances by the choir and opera (both devoted to classical music);

and with administering a series of concerts by prominent musicians. The department's 50 music majors are enthusiastic, but the student body as a whole is bored by courses in classical music, by classical concerts, and by classical opera. In the eyes of the department, the student government has over-reacted to the department's offerings by demanding that the administration hire faculty who will teach truly modern music--including even such outrageous forms of music and/or noise as pop music, rock music, soul music, mood music, and jazz.

- During the 1960s as the character of the student body changed and as student activists sniped away at the Music Department, enrollment in music declined rapidly. Enrollment is now low in all courses, including even the basic service courses for the freshmen and sophomores.

The department's emphasis on private lessons and ensemble instruction (for which credit is given--students pay $60 per semester) contributes to the extraordinarily high unit cost of the department's work. These high costs are resented by most of Persons College faculty; the music faculty resent criticism of their work. They point out, correctly, that they carry the heaviest teaching loads in the college, and, next to athletics, they have the greatest extracurricular activities. The heavy teaching loads are due to the necessity of offering a wide variety of courses to prevent the department from losing its accreditation with the National Association of Schools of Music. Courses which are, in fact, private lessons require two hours weekly for each instructor to teach a single student.

- The administration's budget cuts are a source of frustration, resentment, and fear. There are no longer funds for repair, maintenance, or replacement of instruments. The college has refused to replace four of 12 concert pianos destroyed when a weekend student party went wild. More important, only the two full-time faculty have tenure to protect them if the administration should eliminate faculty positions.

V. OFFICE OF ADMISSIONS

(1) Persons College has suffered a 14 percent decline in applicants for 1974 and a 6 percent decline in 1975. For fall 1976, there were 1,200 applicants for 600 places in the freshman class; 1,100 applicants had to be offered admission to obtain 600 enrolled freshmen. The college has a director of admissions, two recruiters, and three secretaries. The college strives to provide a personal interview for each applicant and limits its recruiting travel to secondary schools within a 50-mile radius.

(2) The admissions director has considered several activities which might attract increased numbers of applicants including:

- Expanding travel to 50 additional secondary schools. This would require $5,000 of increased travel expense and the hiring of another staff person--perhaps an intern (graduating senior) at $8,000.
- More aggressive recruitment including advertising in local newspapers ($1,000), participation in college fairs ($500), and more extensive follow-up with alumni ($5,000-$10,000).
- Promotion of curricular opportunities in new publications which use a more "Madison Avenue" approach with extensive photographs and graphics. Such materials could be developed at a cost of $3,000-$4,000, including mailings.
- Increased emphasis on transfers, rather than freshmen. Applicants could be sought from the local community colleges.

(3) The admissions director has become increasingly concerned with growing applicant interest in career-oriented curricula and the declining appeal of the traditional liberal arts courses. Students seem to want to take courses which provide skills which are directly related to future employment such as business administration, teaching certification, pre-professional (law, medicine) courses, and social work counseling. The admissions director has hesitated to call the president's attention to this growing vocational interest, given the sharp differences of opinion in the faculty over the issue and the expense of mounting new career-oriented programs.

(4) From time to time, adults have inquired about continuing education opportunities at Persons College. The admissions office has not been involved in adult part-time recruitment, leaving occasional part-time enrollments to the office of student services. However, the admissions director recognizes that there may be a significant continuing education opportunity for Persons College.

(5) There is increased student pressure to actively recruit minority students. Minority students comprise only about 1 percent of the college enrollment.

(6) The application fee of $15 has been in effect since 1971. Some schools have increased their fees to $20, but the public institutions charge only $10.

VI. LIBRARY

(1) The college library has holdings of 110,000 volumes, 40,000 government documents, 30,000 microfilm items, and 360 periodical subscriptions, with a full-time staff of 13 people. The library holdings in each of the disciplinary areas of the college are at best minimally adequate and at worst nonexistent.

(2) Among issues and challenges likely to affect the library program budget for the next year are the following:

- The library has been following the Dewey Decimal System of classification for many years. Significant economies could be effected if all new purchases were classified according to the Library of Congress system. It has been estimated that a project to reclassify the most used volumes in the library would cost $30,000 spread over a two-year period. Such a reclassification program might include the storage of little-used volumes in nonlibrary space.

- Since it is unlikely that the Persons College library will ever be able to acquire anything but an average book collection, several of the younger college faculty have suggested that a major re-emphasis be given to shape the library into a learning resources center with the majority of its holdings in the "nonprint" areas. The same faculty have urged cooperation with neighboring city library as a possible site for dumping the existing book and periodical collection.

- The massive increase in the books and periodicals budget from 1974-75 to 1975-76 was caused by an estimate of 15 percent inflation in book prices and 20 percent inflation in periodicals subscription prices plus an attempt to increase the rate of acquisitions in both areas. The library expects to acquire 9,500 volumes in 1976-77 ($85,000) and subscribes to approximately 200 periodicals. The inflation rates expected for 1977-78 are 10 percent for books and 20 percent for periodicals.

- Requests for new periodicals have been coming in at the rate of 25-35 per year. In the sciences, periodical subscriptions far exceed monograph (book) purchases. The science departments insist that new periodicals be acquired to keep up with developing fields and research, but the librarians are apprehensive about the consequences of fewer and fewer science books and the rapidly escalating costs of science periodicals.

- The library planning committee has recommended consideration of joining a time-sharing computer network (OCLC) to permit automated production of catalog cards. Membership would require a $4,500 outlay for a computer terminal, a $2,000 membership fee, and a $1.75 charge for each volume processed through the system. Savings of one clerical person and 75¢ per volume in materials are estimated immediately. However, two existing staff members would have to be trained to operate the terminal.

VII. OFFICE OF STUDENT SERVICES

(1) The office of student services is headed by the vice president of student affairs and includes all of the ordinary dean of students' functions, the functions of the registrar, and a student infirmary service. The admissions office is not a part of this office at Persons College.

The staff in this area is considered too large and too costly by the faculty and by a number of trustees. In addition to the vice president and the registrar, professional staff members are: coordinator of academic advising, director of career development and placement, director of financial aid, college physician, college nurse, chaplain, and three college counselors.

(2) Among the issues to be considered in preparing the 1977-78 budget for the office of student services are the following:

- The registrar, new to the campus, has indicated a strong desire to begin computerizing much of the present registration and grading systems. The college does not have its own computer; time sharing would be necessary.
- Students have requested a separate counseling office in addition to the present minimum service available. The minority groups have asked for at least two full-time minority counselors. All of the present student services staff is white. The estimated salary for one FTE counselor is $13,000.
- Female undergraduates have requested expanded health services including gynecological examinations and prescriptions and dispensing of birth control devices. Another part-time doctor would be required at a cost of $6,000.
- At the present time no formal union activity program exists. The old functions died a natural death a few years ago from student disinterest, and the union grille and cafeteria were turned over to auxiliary enterprises. Now student petitions have requested a new approach to union activities, i.e., student directed. The president supports the need for creative interests but has indicated his preference for some professional supervision and control.
- The president has also indicated an interest in the office of student services becoming involved in the relationship between the college and the core city community.

VIII. DEVELOPMENT OFFICE

(1) Persons College has a small development office which is responsible for alumni relations, fund raising, grant applications, and publicity. The department seeks to communicate information regarding educational program, institutional accomplishments, and institutional needs to all organizations and individuals who might now, or in the future, be in a position to provide support to the institution. The college trustees are considering beginning a capital fund-raising drive in spring 1977 to raise $3 million for endowment and capital purposes.

(2) The development director is a former faculty member who has been at Persons College for 18 years. He is well known and quite popular with alumni groups and has been reasonably successful in annual fund-raising efforts among parents, alumni, and friends. However, he recognizes that he lacks the expertise to effectively pursue more sophisticated development opportunities such as deferred giving, estate planning, etc. The director proposes that an assistant be recruited who is familiar with such techniques, probably entailing a salary of $15,000-$18,000. Because of the long lead time involved in such fund-raising efforts, Persons College might not realize tangible results from such expertise for 5-10 years at the earliest.

(3) A proposal has been received to computerize the alumni and gift record-keeping systems at a cost of $12,000. The project would provide the capability to generate up-to-date reports on giving by class, geographic region, size of gift, etc., permitting a more focused solicitation effort. Since Persons College does not have its own computer, time sharing would be required.

(4) The president believes that more attention should be directed to alumni fund raising in 1977-78 including more alumni club presentations, alumni seminars on campus, and the publication of an annual report to supplement the alumni magazine. The report would cost $2,000 and the additional travel would probably require $2,500.

(5) In 1976-77, unrestricted gifts totaling $590,251 were received, an increase of 7 percent above 1975-76. The objective for 1977-78 is $674,250.

IX. PHYSICAL PLANT DEPARTMENT

During the last five years Persons College added a new science center and a physical education building. Both of the new facilities are air-conditioned and have the latest in mechanical systems and instructional equipment. The additional facilities have required some increase in custodial staff and have also required the hiring of several mechanical trades personnel to operate and maintain the more complex systems. As a result, the physical plant staff has grown to 70, including: 36 custodians, 15 trades (carpenters, plumbers, mechanical trades), 10 grounds and general maintenance, 3 clerical, and 6 supervisory.

(1) The energy crisis of 1973-74 resulted in enormous increases in fuel oil and more recently in electricity. A campuswide conservation program reduced consumption by 20 percent and helped to offset price increases. Further conservation measures are now being considered including little or no air-conditioning and investment in more precise and sophisticated monitoring and control systems to regulate building temperatures. The annual savings estimated are, respectively, minimal air-conditioning $30,000, and better temperature control $25,000 with an initial investment of $85,000.

(2) Other problems facing the department are:

- The contract with the bargaining unit which expires two months before the beginning of the next budget year is a three-year contract. It is expected that a larger than typical increase will be requested to make up for the double-digit inflation rate experienced in the first 18 months of the contract.
- There have been no replacement purchases in the college motor pool for three years and a number of vehicles must be replaced. It is estimated that a minimum of $40,000 will be required for this.

PERSONS COLLEGE

BUDGET WORK SHEET 1977-78

Department *English* Date Submitted ______ Signature ______

Account Code	Account Title	1976-77 FTE	Budget 1976-77	Requested 1977-78	Review Revisions	Adm. Recommendations	Priorities Com. Rec's.
	Instructional Salaries						
1100	Tenured Full-time	11	$ 174,900	$	$	$	$
1150	Untenured Full-time	5	74,200				
1200	Part-time	1	4,600				
	Sub-Total		$ 253,700	$	$	$	
	Other Salaries						
1300	Administrative Professional	0	$ -	$	$	$	
1400	Clerical	1	4,770				
1500	Technical	0	-				
1600	Student Wages	2	650				
	Sub-Total		$ 5,420	$	$	$	
	Total Salaries		$ 259,120	$	$	$	
	Staff Benefits		$ 25,847	$	$	$	
	Total Compensation		$ 284,967	$	$	$	
	Non-Salary						
2100	Office Supplies		$ 400	$	$	$	
2200	Instructional Supplies		450				
2300	Audiovisual		200				
2400	Postage		200				
2500	Telephone		350				
2600	Travel		800				
2700	Printing		300				
2800	Repair & Replace Equipment		100				
2900	Other Purchases		50				
	Total Non-Salary		$ 2,850	$	$	$	
	TOTAL BUDGET		$ 287,817	$	$	$	

NA = Not Applicable

PERSONS COLLEGE

BUDGET WORK SHEET 1977-78

Department *Economics & Business Admin.* **Date Submitted** ______ **Signature** ______

Account Code	Account Title	1976-77 FTE	Budget 1976-77	Requested 1977-78	Review Revisions	Adm. Recommendations	Priorities Com. Rec's.
	Instructional Salaries						
1100	Tenured Full-time	4	$ 63,600	$	$	$	$
1150	Untenured Full-time	2	29,680				
1200	Part-time	5	13,500				
	Sub-Total		$ 106,780	$	$	$	
	Other Salaries						
1300	Administrative Professional	0	$ -	$	$	$	
1400	Clerical	1	5,088				
1500	Technical	0	-				
1600	Student Wages	4	1,700				
	Sub-Total		$ 6,788	$	$	$	
	Total Salaries		$ 113,568	$	$	$	
	Staff Benefits		$ 11,186	$	$	$	
	Total Compensation		$ 124,754	$	$	$	
	Non-Salary						
2100	Office Supplies		$ 300	$	$	$	
2200	Instructional Supplies		400				
2300	Audiovisual		200				
2400	Postage		125				
2500	Telephone		275				
2600	Travel		700				
2700	Printing		250				
2800	Repair & Replace Equipment		-				
2900	Other Purchases		50				
	Total Non-Salary		$ 2,300	$	$	$	
	TOTAL BUDGET		$ 127,054	$	$	$	

NA = Not Applicable

PERSONS COLLEGE

BUDGET WORK SHEET 1977-78

Department *Physics* Date Submitted ______ Signature ______

Account Code	Account Title	1976-77 FTE	Budget 1976-77	Requested 1977-78	Review Revisions	Adm. Recommendations	Priorities Com. Rec's.
	Instructional Salaries						
1100	Tenured Full-time	3	$ 51,000	$	$	$	$
1150	Untenured Full-time	-	-				
1200	Part-time	-	-				
	Sub-Total		$ 51,000	$	$	$	
	Other Salaries						
1300	Administrative Professional		$	$	$	$	
1400	Clerical						
1500	Technical	1	2,500				
1600	Student Wages	1	770				
	Sub-Total		$ 3,270	$	$	$	
	Total Salaries		$ 54,270	$	$	$	
	Staff Benefits		$ 5,350	$	$	$	
	Total Compensation		$ 59,620	$	$	$	
	Non-Salary						
2100	Office Supplies		$ 150	$	$	$	
2200	Instructional Supplies		1,800				
2300	Audiovisual		200				
2400	Postage		25				
2500	Telephone		50				
2600	Travel		100				
2700	Printing		50				
2800	Repair & Replace Equipment		400				
2900	Other Purchases		205				
	Total Non-Salary		$ 2,980	$	$	$	
	TOTAL BUDGET		$ 62,600	$	$	$	

NA = Not Applicable

PERSONS COLLEGE

BUDGET WORK SHEET 1977-78

Department *Music* Date Submitted ________ Signature ________

Account Code	Account Title	1976-77 FTE	Budget 1976-77	Requested 1977-78	Review Revisions	Adm. Recommendations	Priorities Com. Rec's.
	Instructional Salaries						
1100	Tenured Full-time	*2*	$ *30,000*	$	$	$	$
1150	Untenured Full-time	*0*	-				
1200	Part-time	*5*	*12,500*				
	Sub-Total		$ *42,500*	$	$	$	
	Other Salaries						
1300	Administrative Professional	*0*	$ -	$	$	$	
1400	Clerical	*1*	*900*				
1500	Technical	*0*	-				
1600	Student Wages		*2,000*				
	Sub-Total		$ *2,900*	$	$	$	
	Total Salaries		$ *45,400*	$	$	$	
	Staff Benefits		$ *4,340*	$	$	$	
	Total Compensation		$ *49,740*	$	$	$	
	Non-Salary						
2100	Office Supplies		$ *200*	$	$	$	
2200	Instructional Supplies		*1,200*				
2300	Audiovisual		*100*				
2400	Postage		*450*				
2500	Telephone		*600*				
2600	Travel		*3,600*				
2700	Printing		*1,000*				
2800	Repair & Replace Equipment		*2,200*				
2900	Other Purchases *(includes 1 opera annually and a number of concerts)*		*4,650*				
	Total Non-Salary		$ *14,000*	$	$	$	
	TOTAL BUDGET		$ *63,740*	$	$	$	

NA = Not Applicable

PERSONS COLLEGE

BUDGET WORK SHEET 1977-78

Department *Admissions*

Date Submitted

Signature

Account Code	Account Title	1976-77 FTE	Budget 1976-77	Requested 1977-78	Review Revisions	Adm. Recommendations	Priorities Com. Rec's.
	Instructional Salaries						
1100	Tenured Full-time	*NA*	$ *NA*	$	$	$	$
1150	Untenured Full-time	*NA*	*NA*				
1200	Part-time	*NA*	*NA*				
	Sub-Total	*NA*	$ *NA*	$	$	$	
	Other Salaries						
1300	Administrative Professional	*3*	$ *46,500*	$	$	$	
1400	Clerical	*3*	*17,500*				
1500	Technical	*0*	-				
1600	Student Wages	*4*	*2,800*				
	Sub-Total		$ -	$	$	$	
	Total Salaries		$ *66,800*	$	$	$	
	Staff Benefits		$ *6,400*	$	$	$	
	Total Compensation		$ *73,200*	$	$	$	
	Non-Salary						
2100	Office Supplies		$ *2,500*	$	$	$	
2200	Instructional Supplies		-				
2300	Audiovisual		-				
2400	Postage		*1,400*				
2500	Telephone		*1,200*				
2600	Travel		*5,500*				
2700	Printing		*9,500*				
2800	Repair & Replace Equipment		*450*				
2900	Other Purchases		*1,000*				
	Total Non-Salary		$ *21,550*	$	$	$	
	TOTAL BUDGET		$ *94,750*	$	$	$	

NA = Not Applicable

PERSONS COLLEGE

BUDGET WORK SHEET 1977-78

Department *Library* Date Submitted ______ Signature ______

Account Code	Account Title	1976-77 FTE	Budget 1976-77	Requested 1977-78	Review Revisions	Adm. Recommendations	Priorities Com. Rec's.
	Instructional Salaries						
1100	Tenured Full-time	*NA*	$ *NA*	$	$	$	$
1150	Untenured Full-time	*NA*	*NA*				
1200	Part-time	*NA*	*NA*				
	Sub-Total	-	$ -	$	$	$	
	Other Salaries						
1300	Administrative Professional	*4*	$ *61,000*	$	$	$	
1400	Clerical	*8*	*34,500*				
1500	Technical	*1*	*7,500*				
1600	Student Wages	*8*	*4,500*				
	Sub-Total		$ -	$	$	$	
	Total Salaries		$ *107,500*	$	$	$	
	Staff Benefits		$ *10,300*	$	$	$	
	Total Compensation		$ *117,800*	$	$	$	
	Non-Salary						
2100	Office Supplies		$ *2,500*	$	$	$	
2200	Instructional Supplies		-				
2300	Audiovisual		*300*				
2400	Postage		*500*				
2500	Telephone		*400*				
2600	Travel		*800*				
2700	Printing		*1,400*				
2800	Repair & Replace Equipment		*1,200*				
2900	Other Purchases		*100,300**				
	Total Non-Salary		$ *107,400*	$	$	$	
	TOTAL BUDGET		$ *225.200*	$	$	$	

NA = Not Applicable **Includes purchase of books and periodicals.*

PERSONS COLLEGE

BUDGET WORK SHEET 1977-78

Department *Student Services* Date Submitted ______ Signature ______

Account Code	Account Title	1976-77 FTE	Budget 1976-77	Requested 1977-78	Review Revisions	Adm. Recommendations	Priorities Com. Rec's.
	Instructional Salaries						
1100	Tenured Full-time	*NA*	$ *NA*	$	$	$	$
1150	Untenured Full-time	*NA*	*NA*				
1200	Part-time	*NA*	*NA*				
	Sub-Total	-	$ -	$	$	$	
	Other Salaries						
1300	Administrative Professional	*11*	$ *138,000*	$	$	$	
1400	Clerical	*7*	*51,000*				
1500	Technical	*0*	-				
1600	Student Wages	*6*	*3,500*				
	Sub-Total		$ -	$	$	$	
	Total Salaries		$ *192,500*	$	$	$	
	Staff Benefits		$ *19,000*	$	$	$	
	Total Compensation		$ *211,500*	$	$	$	
	Non-Salary						
2100	Office Supplies		$ *25,000*	$	$	$	
2200	Instructional Supplies		-				
2300	Audiovisual		*10,000*				
2400	Postage		*2,500*				
2500	Telephone		*1,900*				
2600	Travel		*1,500*				
2700	Printing		*4,500*				
2800	Repair & Replace Equipment		*2,500*				
2900	Other Purchases		*23,600**				
	Total Non-Salary		$ *71,500*	$	$	$	
	TOTAL BUDGET		$ *283,000*	$	$	$	

NA = Not Applicable

**Includes program funds for a lecture and concert series, for special events, and for a number of student organizations.*

PERSONS COLLEGE

BUDGET WORK SHEET 1977-78

Department *Development* Date Submitted ______ Signature ______

Account Code	Account Title	1976-77 FTE	Budget 1976-77	Requested 1977-78	Review Revisions	Adm. Recommendations	Priorities Com. Rec's.
	Instructional Salaries						
1100	Tenured Full-time	NA	$ NA	$	$	$	$
1150	Untenured Full-time	NA	NA				
1200	Part-time	NA	NA				
	Sub-Total	-	$ -	$	$	$	
	Other Salaries						
1300	Administrative Professional	3	$ 47,500	$	$	$	
1400	Clerical	2	14,000				
1500	Technical	0	-				
1600	Student Wages	2	900				
	Sub-Total		$ -	$	$	$	
	Total Salaries		$ 62,400	$	$	$	
	Staff Benefits		$ 6,150	$	$	$	
	Total Compensation		$ 68,550	$	$	$	
	Non-Salary						
2100	Office Supplies		$ 1,000	$	$	$	
2200	Instructional Supplies		-				
2300	Audiovisual		-				
2400	Postage		1,600				
2500	Telephone		725				
2600	Travel		3,000				
2700	Printing		5,800				
2800	Repair & Replace Equipment		500				
2900	Other Purchases		-				
	Total Non-Salary		$ 12,625	$	$	$	
	TOTAL BUDGET		$ 81,175	$	$	$	

NA = Not Applicable

PERSONS COLLEGE

BUDGET WORK SHEET 1977-78

Department *Physical Plant* Date Submitted ______ Signature ______

Account Code	Account Title	1976-77 FTE	Budget 1976-77	Requested 1977-78	Review Revisions	Adm. Recommendations	Priorities Com. Rec's.
	Salaries						
1300	Administrative Professional	*5*	$ *85,000*	$		$	$
1400	Clerical	*3*	*19,500*				
1500	Technical	*1*	*16,500*				
1600	Student Wages	*18*	*9,000*				
1700	Crafts and Trades	*15*	*165,000*				
1800	Grounds and Labor	*10*	*66,000*				
1900	Housekeeping	*36*	*235,400*				
1950	Overtime	-	*18,000*				
	Total Salaries		$ *614,400*	$		$	
	Staff Benefits		*60,900*				
	Total Compensation		$ *675,300*	$		$	
	Non-Salary						
2100	Office Supplies		$ *1,800*	$		$	
2400	Postage		*700*				
2500	Telephone		*2,400*				
2600	Travel		*1,500*				
2700	Printing		*3,200*				
2800	Repair & Replace. Equip.		*50,000*				
2900	Other Purchases		*3,350*				
3100	Fuel		*650,000*				
3200	Electricity		*518,000*				
3300	Maintenance Supplies		*74,800*				
3400	Contract Projects		*267,050*				
3500	Uniforms		*10,200*				
3600	Housekeeping Supplies		*44,000*				
	Total Non-Salary		$ *1,627,000*	$		$	
	TOTAL BUDGET		$ *2,302,300*	$		$	

PERSONS COLLEGE CASE ASSIGNMENT SHEET

WORKSHOP I

GENERAL FORMAT - In Workshop I, you and your assigned colleagues are functioning as the budget request group for a particular academic department or support unit. Although specific roles (student, administrator, faculty) will not be assigned individually to participants, you should consider the various constituencies and try to meet their needs in your budget request. You are asked to prepare your budget request for fiscal year 1977-78 according to the memo describing guidelines which is attached to this sheet.

PARTICIPANTS - You have been assigned to one of nine departmental units. Each unit has one leader assigned to serve as a program resource.

PRE-SESSION ASSIGNMENT - You should read carefully and be prepared to use the Introduction and Parts I and II of the case materials.

PRODUCTS OF WORKSHOP I - Your department should produce the following documents:

- Persons College Budget Worksheet 1977-78 for your unit (this may be found in Part II of the case material).
- Program Rationale Worksheet (attached to this assignment sheet).

PERSONS COLLEGE PROGRAM RATIONALE WORKSHEET

DEPARTMENT ______________________

____
(Dept. Coordinator's Signature)

OBJECTIVES Indicate major objectives to be achieved in FY 1977-78. List these objectives in order of priority.

PROGRAMS AND PERFORMANCE INDICATORS List the major programs of the department which are designed to meet the objectives stated above. How will you measure achievement of those objectives, as input to the FY 1977-78 budget cycle?

PERSONS COLLEGE

TO: Department Heads

SUBJECT: Guidelines for Budget Requests for 1977-78

An economic forecast and an estimate of revenues available for the five years ahead have been completed and reviewed by the Priorities Committee. Budget guidelines have also been prepared for the 1977-78 budget. It is now appropriate to begin the development of program statements and expense budgets for each department of the college.

In developing budget guidelines, two extraordinary expenses for the year ahead necessarily had to be considered priority commitments. These are (1) additional pension costs--$40,000, and (2) elimination of deficit in previous budget--$254,000. The pension funds are necessary because of the implications and requirements of the 1974 Pension Reform Act of the federal government.

In preparing your budget requests, please keep these basic guidelines in mind:

(1) The total enrollment of the college is expected to remain approximately the same as in the present year.

(2) There will be no net increases in academic or other staff.

(3) Funds available will not allow any increase in total non-salary items. No department should request an increase unless an extraordinary problem exists. If this is the case, please provide a carefully drawn rationale to support your request.

(4) In order to obtain as much uniformity as possible, the price levels of 1976-77 should be the basis for all requests. Adjustments to reflect an anticipated rate of inflation will be made later in the budget process and included in final budget figures if funds can be found.

(6) A separate capital budget for new equipment or space modifications will be developed at a later date. An additional data-collecting form will be sent to you at that time.

The forms to be used in submitting your request and further explanatory materials are attached. If you have questions concerning the preparation of your department budget request, please call the business office.

Budget Process

As a department chairperson you should develop your department program plans and activities for the fiscal year July 1, 1977, through June 30, 1978. With these plans in mind please complete your budget requests for the same period. When the requests are completed they should be submitted to the person to whom you report.

A total preliminary budget for the college will be drawn together and reviewed by the Priorities Committee. This committee will recommend a budget to the president who, in turn, will present the budget to the board of trustees through its Budget and Finance Committee. Following this approval, copies of final budgets will be sent to each department.

Budget Preparation Instructions

(1) Round all budget request figures to the nearest five dollars.

(2) Student employees will be paid primarily from work study funds which are a significant part of the college's student aid program. It is assumed that your department will accept students assigned from the pool of students to whom financial aid commitments have been made. If your student employees must have special skills which might require hiring students to whom no financial aid has been granted, please indicate this. Your request for student help should assume a base hourly rate of $2.30, a work load of ten hours per week, and ten weeks per quarter.

PERSONS COLLEGE

CALENDAR FOR 1977-78 BUDGET

March 1	Department heads receive budget request forms and instructions.
April 1	Department heads present budget requests to appropriate senior administrators.
April 15	Senior administrators present summary budgets to the business office for preparation of preliminary total budget.
April 20-25	President, Vice President for Academic Affairs, Vice President for Finance, and Director of Institutional Research and Planning review total budget.
April 25-May 2	Budgets to be recommended reviewed with each department.
May 9	Priorities Committee reviews total budget.
May 23	Preliminary budget complete after reviews and adjustments.
June 1	Presentation of preliminary budget to Budget and Finance Committee.
June 10	Presentation of preliminary budget to Executive Committee.
June 15	Presentation of preliminary budget to Board of Trustees.
July 1	Presentation of final budget to Executive Committee.

PERSONS COLLEGE CASE ASSIGNMENT SHEET

WORKSHOP II

GENERAL FORMAT - In Workshop II, you and your assigned colleagues are functioning as the Priorities Committee of the governance system of Persons College. Although specific roles (student, administrator, faculty) will not be assigned individually to participants, you should consider the various constituencies and try to meet their needs in your recommendations.

In Workshop II, the committee will review college background documents, begin setting some funding priorities for the nine departments in the case, and make a recommendation for the final summary budget for 1977-1978. A document describing budget requests for the nine departments and the preliminary administrative review of these requests is attached to this assignment sheet.

PRODUCTS OF WORKSHOP II - The Priorities Committee should produce:

- specific recommendations for the budgets of the nine departments; these should be recorded on the budget request forms handed out at the beginning of Workshop II;
- a statement indicating how the recommendations of the Priorities Committee support the goals of Persons College; and
- summary projection on the attached form of the fiscal year 1978 current fund expenditures which would result from the recommendations of the Priorities Committee.

SUMMARY AND REVIEW OF PERSONS COLLEGE DEPARTMENT BUDGET REQUESTS

The Persons College departments have exhibited a relatively unimaginative response to budget making. They seem to have used a line-item incremental process following closely the principal constraints of the guidelines by the administration.

In every actual budgeting process there are pressures and counter-pressures which tend to make bold and imaginative budget making rare. Typical pressures are: (1) trustee insistence that budgets be balanced; (2) faculty insistence (increasingly union bargaining pressure) that their salaries be kept high and growing; (3) student insistence that tuition and fees be kept low; (4) legislative insistence that state allocations be kept cost-effective; (5) departmental pressures that there always be more funds than in the previous budget cycle, no matter what enrollments and program needs suggest as appropriate budget allocations; and (6) presidential insistence that he or she have the authority to allocate funds here and there for political purposes whether or not revenues are available to support the allocations.

The specific constraints in the budget guidelines sent to the Persons College department heads which have dictated the responses were:

1. No change in enrollment (therefore no revenue increase except for tuition increase).
2. No additional staff can be employed (therefore new or expanded programs must be conducted by present staff).
3. No increases in departmental nonsalary expenditures (therefore the inflationary price increments must be absorbed by the department).

Reasonable implications for departments preparing budget requests under these constraints are:

1. All incremental funds will be concentrated on compensation for college personnel. (This creates a salary pool of about 5 percent.)
2. More attention is being paid to program effectiveness than has been the case in recent years. (It would be good strategy to cut one or two budget lines, especially if any increases are mandatory in any line item.)
3. More careful review of department enrollment levels must be made to justify budget requests. (Programs must attract students for survival reasons.)

Review of Requests:

Economics and Business Administration--The "Mexican stand-off" between the economists and the business professors continues. In the budget request from the department chairman, an additional, full-time economist was requested. The administrative decision denies this request but does drop two part-time positions while upgrading the salaries for the three positions remaining. This is a response to student complaints about the poor quality of the teaching of the current year's part-time appointments.

In spite of the request for additional travel money--an every-year occurrence--this item is cut from the previous year to provide for additional instructional supply funding.

English--With static enrollment in the college and some shift of enrollments to other departments (biology, psychology, economics and business administration), this department has become a "fat cat." The decisions by the administration to drop one untenured position, while not unexpected is resented by the department. This is especially true because the total budget from year to year was actually reduced. The explanation given that funds were needed for an expanded development program and for other departments with growth did little to assuage the department.

Music--The department's request for an additional tenured position combined with a modest drop in part-time salary allocation was not accepted. The real need here is for more part-time instructors to teach applied music, especially in a modern idiom. The cut in repair and equipment replacement funds is not appreciated but the slight drop in enrollment and the lack of program direction in the department make anything other than this sort of decision questionable. Clearly, the provost must work with this department to strengthen it.

Physics--This is strictly a pro forma decision. Teaching supplies and equipment repair lines were increased modestly in spite of the general "no increase" guideline.

Admissions--To create some increase in travel, printing, and postage lines and because of the drop in applicants for processing, one clerical position was dropped from the budget. This decision clearly shocked the admissions director. In part, this was intended by the president who firmly believes in penalty and reward responses in allocating funds. He is irritated by the admissions director's vacillations in dealing with the problem of a dropping applicant pool. The president has told the admissions director that he must increase the applicant pool by 10 percent in the year ahead or be terminated.

Development--With the president's backing, the budget for this department has been substantially increased Funds to do more traveling, to produce a more attractive annual report, and to put alumni records into a computer system have been included.

The director's request for an additional staff person to direct a deferred gift program has been denied this year because the output in budget dollars required before there are any tangible returns is difficult to face. It has been suggested to the president that this is short-sighted decision making, yet the president is nervous about the political impact of budget decisions on the current scene.

Library--The modest reduction in the book purchase budget was the most unpopular decision made in this budget cycle. The faculty is upset, students are disturbed, and the library staff is distraught. This decision is, again, the president's way of penalizing the librarian for not cutting the staff by two positions to create additional funds for book purchases. The open conflict between the president and the librarian is notorious. It is of great concern to the campus, and it appears likely that there will be a formal appeal made by the faculty to review and increase the library budget.

Physical Plant--The relatively large line item for contract projects has been a bone of contention in committee meetings for the past several years. The Board of Trustees through its Building and Grounds Committee has insisted on this allocation in order to catch up on the backlog of deferred maintenance problems. The president has finally been persuaded by the Priorities Committee that this item has to be reduced to create additional funds for other budget areas.

The drop of five housekeeping positions has resulted from the recommendations made by an outside consultant employed to review work loads and productivity of the maintenance and operations employees.

Student Services--The faculty specifically and the campus generally have felt that the vice president for student affairs was an empire builder. After an unsuccessful attempt in the previous year to contain this budget, Priority Committee members united to insist to the president that a reduction in staff and in relatively unproductive programs had to be made. The vice president was very emotional in losing this battle and has threatened to organize student opposition to the action taken.

PERSONS COLLEGE PROPOSED CURRENT FUND EXPENDITURE BUDGET

	1977-78 Proposed Administrative Expenditures	Prior Year Total	Increase (Decrease) $	Increase (Decrease) %	1977-78 Priorities Committee Recommended Expenditure
EDUCATIONAL & GENERAL					
Instruction					
Econ. & Bus. Adm.	$ 134,500	$ 130,054	$ 4,446	3.4	$
English	285,300	287,817	(2,517)	(0.9)	
Music	65,200	63,740	1,460	2.3	
Physics	66,300	62,600	3,700	5.9	
All Other Academic Depts.	2,876,600	2,867,000	9,600	0.3	
Sub-Total	$3,427,900	$3,411,211	$ 16,689	0.5	$
Research					
Econ. & Bus. Adm.	$ 67,500	$ 65,000	$ 2,500	3.8	$
English	18,000	20,000	(2,000)	(10.0)	
Music	25,500	24,000	1,500	6.3	
Physics	140,000	131,000	9,000	6.9	
All Other Academic Depts.	430,000	425,000	5,000	1.2	
Sub-Total	$ 681,000	$ 665,000	$ 16,000	2.4	$
Public Service					
Econ. & Bus. Adm.	$ 7,500	$ 7,500	$ -	0	$
English	-	-	-	-	
Music	12,500	12,500	-	0	
Physics	-	-	-	-	
All Other Academic Depts.	20,000	19,375	625	3.2	
Sub-Total	$ 40,000	$ 39,375	$ 625	1.6	$
Academic Support	$ 330,000	$ 325,000	$ 5,000	1.5	$
Student Services					
Admissions	$ 96,750	$ 94,750	$ 2,000	2.1	$
Other	259,000	283,000	(24,000)	(8.5)	
Sub-Total	$ 355,750	$ 377,750	$ (22,000)	(5.8)	$
Institutional Support					
Development	$ 96,768	$ 81,175	$ 15,593	19.2	$
Other	660,000	624,080	35,920	5.8	
Sub-Total	$ 756,768	$ 705,255	$ 51,513	7.3	$
Operation & Mntnce of Plant	$2,218,300	$2,292,300	$ (74,000)	(3.2)	$
Scholarships & Fellowships	$ 532,582	$ 555,000	$ (22,418)	(4.0)	$
TOTAL E & G	$8,342,300	$8,370,891	$ (28,591)	(0.3)	$
AUXILIARY ENTERPRISES	$ 223,000	$ 210,000	$ 13,000	6.2	$
GRAND TOTAL	$8,565,300	$8,580,891	$ (15,591)	(0.2)	$

PERSONS COLLEGE

BUDGET WORK SHEET 1977-78

Department *English* Date Submitted ______ Signature ______

Account Code	Account Title	1976-77 FTE	Budget 1976-77	Requested 1977-78	Review Revisions	Adm. Recommendations	Priorities Com. Rec's.
	Instructional Salaries						
1100	Tenured Full-time	*11*	$ *174,900*	$ *183,645*	*5% inc.*	$ *183,645*	$
1150	Untenured Full-time	*5*	*74,200*	*77,168*	*drop 1 position*	*62,368*	
1200	Part-time	*1*	*4,600*	*6,000*	*-*	*5,000*	
	Sub-Total		$ *253,700*	$ *266,813*	*-*	$ *251,013*	
	Other Salaries						
1300	Administrative Professional	*0*	$ *-*	$		$	
1400	Clerical	*1*	*4,770*	*5,010*	*5% inc.*	*5,010*	
1500	Technical	*0*	*-*				
1600	Student Wages	*2*	*650*	*750*	*minimum wage*	*750*	
	Sub-Total		$ *5,420*	$ *5,760*		$ *5,760*	
	Total Salaries		$ *259,120*	$ *272,573*		$ *256,773*	
	Staff Benefits		$ *25,847*	$ *26,503*		$ *25,292*	
	Total Compensation		$ *284,967*	$ *299,076*		$ *282,065*	
	Non-Salary						
2100	Office Supplies		$ *400*	$ *500*		$ *500*	
2200	Instructional Supplies		*450*	*600*		*550*	
2300	Audiovisual		*200*	*200*		*200*	
2400	Postage		*200*	*225*		*225*	
2500	Telephone		*350*	*500*		*400*	
2600	Travel		*800*	*1,500*		*900*	
2700	Printing		*300*	*300*		*300*	
2800	Repair & Replace Equipment		*100*	*100*		*100*	
2900	Other Purchases		*50*	*100*		*60*	
	Total Non-Salary		$ *2,850*	$ *4,025*		$ *3,235*	
	TOTAL BUDGET		$ *287,817*	$ *303,101*		$ *285,300*	

NA = Not Applicable

PERSONS COLLEGE

BUDGET WORK SHEET 1977-78

Department *Economics & Business Admin.* Date Submitted ________ Signature ________

Account Code	Account Title	1976-77 FTE	Budget 1976-77	Requested 1977-78	Review Revisions	Adm. Recommendations	Priorities Com. Rec's.
	Instructional Salaries						
1100	Tenured Full-time	*4*	$ *63,600*	$ *83,780*	*5% inc.*	$ *67,780*	$
1150	Untenured Full-time	*2*	*29,680*	*46,004*	*5% inc.*	*31,164*	
1200	Part-time	*5*	*13,500*	*9,000*	*drop 2 positions*	*12,000*	
	Sub-Total		$ *106,780*	$ *138,784*		$ *110,944*	
	Other Salaries						
1300	Administrative Professional	*0*	$ -	$		$	
1400	Clerical	*1*	*5,088*	*5,600*	*5% inc.*	*5,420*	
1500	Technical	*0*	-	-			
1600	Student Wages	*4*	*1,700*	*2,000*	*minimum wage*	*1,200*	
	Sub-Total		$ *6,788*	$ *7,600*		$ *6,620*	
	Total Salaries		$ *113,568*	$ *146,484*		$ *117,564*	
	Staff Benefits		$ *11,186*	$ *14,429*		$ *11,639*	
	Total Compensation		$ *124,754*	$ *160,813*		$ *129,203*	
	Non-Salary						
2100	Office Supplies		$ *300*	$ *400*		$ *300*	
2200	Instructional Supplies		*400*	*500*		*500*	
2300	Audiovisual		*200*	*200*		*200*	
2400	Postage		*125*	*150*		*125*	
2500	Telephone		*275*	*400*		*275*	
2600	Travel		*700*	*1,000*		*600*	
2700	Printing		*250*	*250*		*250*	
2800	Repair & Replace Equipment		-	-			
2900	Other Purchases		*50*	*50*		*47*	
	Total Non-Salary		$ *2,300*	$ *2,950*		$ *2,297*	
	TOTAL BUDGET		$ *127,054*	$ *163,763*		$ *131,500*	

NA = Not Applicable

PERSONS COLLEGE

BUDGET WORK SHEET 1977-78

Department *Physics* Date Submitted ______ Signature ______

Account Code	Account Title	1976-77 FTE	Budget 1976-77	Requested 1977-78	Review Revisions	Adm. Recommendations	Priorities Com. Rec's.
	Instructional Salaries						
1100	Tenured Full-time	*3*	$ *51,000*	$ *56,000*	*5% inc.*	$ *53,550*	$
1150	Untenured Full-time	-	-	-			
1200	Part-time	-	-	*7,500*			
	Sub-Total		$ *51,000*	$ *63,500*		$ *53,550*	
	Other Salaries						
1300	Administrative Professional		$	$		$	
1400	Clerical						
1500	Technical	*1*	*2,500*	*4,500*		*3,000*	
1600	Student Wages	*1*	*770*	*700*		*700*	
	Sub-Total		$ *3,270*	$ *5,200*		$ *3,700*	
	Total Salaries		$ *54,270*	$ *68,700*		$ *57,250*	
	Staff Benefits		$ *5,350*	$ *6,767*		$ *5,639*	
	Total Compensation		$ *59,620*	$ *75,467*		$ *62,889*	
	Non-Salary						
2100	Office Supplies		$ *150*	$ *200*		$ *200*	
2200	Instructional Supplies		*1,800*	*2,500*		*1,900*	
2300	Audiovisual		*200*	*200*		*200*	
2400	Postage		*25*	*50*		*50*	
2500	Telephone		*50*	*50*		*50*	
2600	Travel		*100*	*200*		*100*	
2700	Printing		*50*	*100*		*100*	
2800	Repair & Replace Equipment		*400*	*3,000*		*606*	
2900	Other Purchases		*205*	*100*		*100*	
	Total Non-Salary		$ *2,980*	$ *6,400*		$ *3,306*	
	TOTAL BUDGET		$ *62,600*	$ *81,867*		$ *66,195*	

NA = Not Applicable

PERSONS COLLEGE

BUDGET WORK SHEET 1977-78

Department *Music* Date Submitted ______ Signature ______

Account Code	Account Title	1976-77 FTE	Budget 1976-77	Requested 1977-78	Review Revisions	Adm. Recommendations	Priorities Com. Rec's.
	Instructional Salaries						
1100	Tenured Full-time	2	$ 30,000	$ 48,000	5% inc.	$ 31,500	$
1150	Untenured Full-time	0	-				
1200	Part-time	5	12,500	10,000		13,000	
	Sub-Total		$ 42,500	$ 58,000		$ 44,500	
	Other Salaries						
1300	Administrative Professional	0	$ -	$		$	
1400	Clerical	1	900	6,200		1,000	
1500	Technical	0	-				
1600	Student Wages		2,000	2,600	minimum wage	2,400	
	Sub-Total		$ 2,900	$ 8,800		$ 3,400	
	Total Salaries		$ 45,400	$ 66,800		$ 47,900	
	Staff Benefits		$ 4,340	$ 6,580		$ 4,718	
	Total Compensation		$ 49,740	$ 73,380		$ 52,618	
	Non-Salary						
2100	Office Supplies		$ 200	$ 300		$ 300	
2200	Instructional Supplies		1,200	2,000		1,400	
2300	Audiovisual		100	200		200	
2400	Postage		450	600		500	
2500	Telephone		600	750		600	
2600	Travel		3,600	5,000		3,600	
2700	Printing		1,000	1,500		1,400	
2800	Repair & Replace Equipment		2,200	6,000		4,000	
2900	Other Purchases *(includes 1 opera annually and a number of concerts)*		4,650	7,500		582	
	Total Non-Salary		$ 14,000	$ 23,850		$ 12,582	
	TOTAL BUDGET		$ 63,740	$ 97,230		$ 65,200	

NA = Not Applicable

PERSONS COLLEGE

BUDGET WORK SHEET 1977-78

Department *Admissions* Date Submitted ________ Signature ________

Account Code	Account Title	1976-77 FTE	Budget 1976-77	Requested 1977-78	Review Revisions	Adm. Recommendations	Priorities Com. Rec's.
	Instructional Salaries						
1100	Tenured Full-time	*NA*	$ -	$ -		$	$
1150	Untenured Full-time	*NA*	-	-			
1200	Part-time	*NA*	-	-			
	Sub-Total		$	$		$	
	Other Salaries						
1300	Administrative Professional	*3*	$ *46,500*	$ *60,325*	*5% inc.*	$ *48,825*	
1400	Clerical	*3*	*17,500*	*18,375*	*drop 1 position*	*12,250*	
1500	Technical	*0*	-				
1600	Student Wages	*4*	*2,800*	*3,600*	*add 2 students*	*4,800*	
	Sub-Total		$ *66,800*	$ *82,300*		$ *65,875*	
	Total Salaries		$ *66,800*	$ *82,300*		$ *65,875*	
	Staff Benefits		$ *6,400*	$ *8,110*		$ *6,389*	
	Total Compensation		$ *73,200*	$ *90,410*		$ *72,264*	
	Non-Salary						
2100	Office Supplies		$ *2,500*	$ *3,000*		$ *2,800*	
2200	Instructional Supplies		-				
2300	Audiovisual		-				
2400	Postage		*1,400*	*2,000*		*1,600*	
2500	Telephone		*1,200*	*1,800*		*1,800*	
2600	Travel		*5,500*	*6,500*		*6,000*	
2700	Printing		*9,500*	*15,000*		*10,836*	
2800	Repair & Replace Equipment		*450*	*450*		*450*	
2900	Other Purchases		*1,000*	*1,000*		*1,000*	
	Total Non-Salary		$ *21,550*	$ *29,750*		$ *24,486*	
	TOTAL BUDGET		$ *94,750*	$ *120,160*		$ *96,750*	

NA = Not Applicable

PERSONS COLLEGE

BUDGET WORK SHEET 1977-78

Department *Library* Date Submitted ______ Signature ______

Account Code	Account Title	1976-77 FTE	Budget 1976-77	Requested 1977-78	Review Revisions	Adm. Recommendations	Priorities Com. Rec's.
	Instructional Salaries						
1100	Tenured Full-time	*NA*	$	$		$	$
1150	Untenured Full-time	*NA*					
1200	Part-time	*NA*					
	Sub-Total	-	$	$		$	
	Other Salaries						
1300	Administrative Professional	*4*	$ *61,000*	$ *64,050*	*5% inc.*	$ *64,050*	
1400	Clerical	*8*	*34,500*	*36,225*	*5% inc.*	*36,225*	
1500	Technical	*1*	*7,500*	*7,875*	*5% inc.*	*7,875*	
1600	Student Wages	*8*	*4,500*	*6,000*	*2 additions*	*6,000*	
	Sub-Total		$ *107,500*	$ *114,150*		$ *114,150*	
	Total Salaries		$ *107,500*	$ *114,150*		$ *114,150*	
	Staff Benefits		$ *10,300*	$ *11,244*		$ *11,244*	
	Total Compensation		$ *117,800*	$ *125,394*		$ *125,394*	
	Non-Salary						
2100	Office Supplies		$ *2,500*	$ *2,500*		$ *2,500*	
2200	Instructional Supplies		-				
2300	Audiovisual		*300*	*200*		*200*	
2400	Postage		*500*	*600*		*600*	
2500	Telephone		*400*	*400*		*400*	
2600	Travel		*800*	*800*		*800*	
2700	Printing		*1,400*	*1,800*		*1,400*	
2800	Repair & Replace Equipment		*1,200*	*1,500*		*1,406*	
2900	Other Purchases		*100,300**	*115,000*		*97,300*	
	Total Non-Salary		$ *107,400*	$ *122,800*		$ *104,606*	
	TOTAL BUDGET		$ *225,200*	$ *248,194*		$ *230,000*	

NA = Not Applicable

**Includes purchase of books and periodicals.*

PERSONS COLLEGE

BUDGET WORK SHEET 1977-78

Department *Student Services* Date Submitted ______ Signature ______

Account Code	Account Title	1976-77 FTE	Budget 1976-77	Requested 1977-78	Review Revisions	Adm. Recommendations	Priorities Com. Rec's.
	Instructional Salaries						
1100	Tenured Full-time	*NA*	$	$		$	$
1150	Untenured Full-time	*NA*					
1200	Part-time	*NA*					
	Sub-Total	-	$	$		$	
	Other Salaries						
1300	Administrative Professional	*11*	$ *138,000*	$ *144,900*	*drop 1 position*	$ *131,775*	
1400	Clerical	*7*	*51,000*	*53,550*	*drop 1 position*	*45,900*	
1500	Technical	*0*	-				
1600	Student Wages	*6*	*3,500*	*4,200*	*add 1 position*	*4,200*	
	Sub-Total		$ *192,500*	$ *202,650*		$ *181,875*	
	Total Salaries		$ *192,500*	$ *202,650*		$ *181,875*	
	Staff Benefits		$ *19,000*	$ *19,960*		$ *17,910*	
	Total Compensation		$ *211,500*	$ *222,610*		$ *199,785*	
	Non-Salary						
2100	Office Supplies		$ *25,000*	$ *20,000*		$ *18,000*	
2200	Instructional Supplies		-				
2300	Audiovisual		*10,000*	*12,000*		*7,000*	
2400	Postage		*2,500*	*2,800*		*2,800*	
2500	Telephone		*1,900*	*2,000*		*2,000*	
2600	Travel		*1,500*	*1,500*		*1,200*	
2700	Printing		*4,500*	*5,000*		*5,000*	
2800	Repair & Replace Equipment		*2,500*	*3,000*		*2,500*	
2900	Other Purchases		*23,600**	*25,000*		*20,715*	
	Total Non-Salary		$ *71,500*	$ *71,300*		$ *59,215*	
	TOTAL BUDGET		$ *283,000*	$ *293,910*		$ *259,000*	

NA = Not Applicable

**Includes program funds for a lecture and concert series, for special events, and for a number of student organizations.*

PERSONS COLLEGE

BUDGET WORK SHEET 1977-78

Department *Development* Date Submitted ______ Signature ______

Account Code	Account Title	1976-77 FTE	Budget 1976-77	Requested 1977-78	Review Revisions	Adm. Recommendations	Priorities Com. Rec's.
	Instructional Salaries						
1100	Tenured Full-time	*NA*	$	$		$	$
1150	Untenured Full-time	*NA*					
1200	Part-time	*NA*					
	Sub-Total	-	$	$		$	
	Other Salaries						
1300	Administrative Professional	*3*	$ *47,500*	$ *67,500*	*5% inc.*	$ *49,875*	
1400	Clerical	*2*	*14,000*	*18,500*	*5% inc.*	*14,700*	
1500	Technical	*0*	-				
1600	Student Wages	*2*	*900*	*1,300*	*1 addition*	*1,300*	
	Sub-Total		$ *62,400*	$ *87,300*		$	
	Total Salaries		$ *62,400*	$ *87,300*		$	
	Staff Benefits		$ *6,150*	$ *8,590*		$ *6,360*	
	Total Compensation		$ *68,550*	$ *95,890*		$ *72,235*	
	Non-Salary						
2100	Office Supplies		$ *1,000*	$ *1,200*		$ *1,200*	
2200	Instructional Supplies		-				
2300	Audiovisual		-				
2400	Postage		*1,600*	*2,000*		*2,000*	
2500	Telephone		*725*	*1,000*		*1,000*	
2600	Travel		*3,000*	*5,500*		*5,500*	
2700	Printing		*5,800*	*8,000*	*annual report*	*8,000*	
2800	Repair & Replace Equipment		*500*	*500*		*500*	
2900	Other Purchases		-	*12,000*	*computer records*	*6,333*	
	Total Non-Salary		$ *12,625*	$ *30,200*		$ *24,533*	
	TOTAL BUDGET		$ *81,175*	$ *126,090*		$ *96,768*	

NA = Not Applicable

PERSONS COLLEGE

BUDGET WORK SHEET 1977-78

Department *Physical Plant* Date Submitted ______ Signature ______

Account Code	Account Title	1976-77 FTE	Budget 1976-77	Requested 1977-78	Review Revisions	Adm. Recommendations	Priorities Com. Rec's.
	Salaries						
1300	Administrative Professional	5	$ 85,000	$ 89,250	5% inc.	$ 89,250	$
1400	Clerical	3	19,500	20,475	5% inc.	20,475	
1500	Technical	1	16,500	35,000	5% inc.	17,325	
1600	Student Wages	18	9,000	10,000	minimum wage	10,000	
1700	Crafts and Trades	15	165,000	195,000	5% inc.	173,250	
1800	Grounds and Labor	10	66,000	76,500	5% inc.	69,300	
1900	Housekeeping	36	235,400	230,000	Drop 5	205,000	
1950	Overtime	-	18,000	20,000		14,000	
	Total Salaries		$ 614,400	$ 676,225		$ 598,600	
	Staff Benefits		60,900	66,600		58,960	
	Total Compensation		$ 675,300	$ 742,825		$ 657,560	
	Non-Salary						
2100	Office Supplies		$ 1,800	$ 2,000		$ 1,800	
2400	Postage		700	800		700	
2500	Telephone		2,400	2,400		2,400	
2600	Travel		1,500	1,500		1,500	
2700	Printing		3,200	3,800		3,200	
2800	Repair & Replace. Equip.		50,000	60,000		40,000	
2900	Other Purchases		3,350	3,350		3,350	
3100	Fuel		650,000	675,000		665,740	
3200	Electricity		518,000	540,000		523,000	
3300	Maintenance Supplies		74,800	80,000		74,800	
3400	Contract Projects		267,050	250,000		200,050	
3500	Uniforms		10,200	10,200		10,200	
3600	Housekeeping Supplies		44,000	42,000		34,000	
	Total Non-Salary		$1,627,000	$1,671,050		$1,560,740	
	TOTAL BUDGET		$2,302,300	$2,413,875		$2,218,300	

PERSONS COLLEGE CASE ASSIGNMENT SHEET

WORKSHOP III

(Presentation to Budget and Finance Committee)

GENERAL FORMAT - During this session you and your assigned colleagues will function as the administrative group responsible for the presentation of the proposed budget for fiscal year 1977-78 to the Budget and Finance Committee of the Board of Trustees. There are five members of the Budget and Finance Committee (these are group leaders from the workshops). The six people representing the campus constituency include the president, the vice president for finance, the vice president for academic affairs, the planning officer, and a faculty and a student representative from the Priorities Committee.

You are to present and defend your budget recommendations developed in Workshop II. Because of time constraints the entire Persons College budget will not be presented. The presentation will be limited to the nine departments specified in the case.

PARTICIPANTS - Roles (see above) should be assigned (the remaining persons serve as resource people) and you should organize yourselves to respond to questions.

All other conference participants will be observers in this workshop.

PRODUCTS OF WORKSHOP III - Your team should make a presentation of first quality.

Use the overhead projector in making your presentation so the participants who are observing will be able to see your data. The conference planners will make transparencies for you; give them the material by 9:00 a.m. on the third day.

WORKSHOP FACILITATORS INSTRUCTIONS

I. GENERAL

You are facilitators. Your primary role is to assist your group to learn as much as possible about the budgeting process through their participation in the case workshops. You should refrain from dominating the discussion and encourage the development of leaders among the participants.

Participants should be encouraged to ask questions, but you should try to encourage participants to interact with each other rather than directing all inquiries at you. Attempt to encourage all group members to participate by inviting their comments and soliciting the opinions of reluctant members when an appropriate issue arises. Do not allow the session to be dominated by one or two participants.

You should begin each session by introducing yourself and explaining your role; distributing materials; and explaining the purposes of the session, the products to be produced, and the amount of time available. Whenever possible draw the attention of group members to the relationships between their work on the case and the concepts presented in the conference lectures. Keep the discussion focused on the assigned tasks; the time schedule is tight and can accommodate few digressions. Try to save a little time at the end of each workshop to provide some systematic feedback to the group about its performance. Be sure to give praise as well as noting deficiencies.

II. WORKSHOP I

This is the session in which you have some programmatic expertise. The participants should be made aware of this and will expect you to be able to answer questions about the functioning of the department/support unit. Be sure to focus their attention on the following items:

- availability of resources and sources of funds
- budget preparation guidelines
- programmatic issues
- financial implications of the issues
- program needs and objectives
- priorities among objectives
- resource needs, by line item
- long-range implications of the request
- implications of requests on other college units
- contingency plans for alternative funding levels
- identification of political issues
- strategy for presentation of request

Try to take good notes and have a "debriefing" period with the members of the group toward the end of the workshop session. This is the only time that the participant will have a structured opportunity to discuss the important elements of the budget request process.

III. WORKSHOP II

In this session, you should begin by organizing a discussion of possible strategies for reviewing requests and setting priorities. When the group has selected a strategy, sufficient discussion has usually transpired so that group members are ready to select a chairperson. Encourage them to do so.

Because you may not have special expertise in budgeting, you can be most helpful to your group by periodically reminding them of the tasks to be accomplished, summarizing comments, synthesizing positions, and refocusing the discussion. Some of the issues to be considered in reviewing requests and assessing priorities are the following:

- total resources available
- forecasts of future needs
- college policies
- legal obligations
- equity across units
- program quality
- criteria for assessing requests
- political considerations
- types of budget cutting.

Try to take good notes and spend some time in a "debriefing" session with your group toward the end of the workshop session.

IV. WORKSHOP III

You are one of six members of the budget and finance committee of the board of trustees. Play your role with enthusiasm. Ask tough, but frequently humorous, questions. You want participants to learn something, but also to have a good time. Remember that in this session most participants are simply observing.

Some sample, substantive questions are listed below:

(1) How is the English department responding to the increasing evidence that college graduates cannot read or write?

(2) How is the admissions office planning to recruit more nontraditional students, e.g., older students?

(3) What has been the trend of offers of admission, acceptances, and returning students over the past five years, and what projections is the admissions office making for the next five years?

(4) How do we intend to maintain a library which is adequate to meet student needs in view of the dramatically increasing cost of books, periodicals, etc.?

(5) What is the possibility of unionization of an employee group within the college, and what steps have we taken to counter any unionization tendency?

(6) The athletic program should be increased to foster closer alumni ties, equal opportunity for female students, etc. What steps are planned to meet this need?

(7) How is the college preparing for the drastic energy shortages, i.e., natural gas, electricity, gasoline, that some experts predict for the 1980s?

(8) What evidence can be presented to demonstrate what action the college has taken over the past three years to employ more blacks, women, and minority groups in responsible positions at the college? What actions are planned for the next five years?

CONFERENCE PLANNING

CONFERENCE PLANNING

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III. CONFERENCE EVALUATION AND FOLLOW-UP 16

I. GENERAL

A. Principles

The arrangements discussed herein relate to conferences held on college campuses. The arrangements will have to be modified for conferences held in hotels, but the basic principles will still apply.

Suggestions for conference arrangements are based on the experience of the Center for Research on Women at Wellesley College, which conducted the 1975 Wellesley Conference on Financial Management and Budgeting. The suggestions are guided by the following principles regarding conference management:

1. Participants will want the conference to cost as little as possible, and they will want to know how their registration fees are being used.

2. Persons coming to new surroundings are often somewhat disoriented. It is wise to anticipate as many questions as possible about arrangements and scheduling (where the extra blankets are, etc.) and put the information in their packets. People like to know in advance what will happen to them and what their resources are. They will, however, ask questions which are answered in the packets. Be prepared to have patient staff on hand.

3. Several participants will have special needs. Plan to have extra staff to help them. Be careful, however, not to make a promise (e.g., duplicating a long paper overnight) that will disrupt your staffing arrangements.

4. While the conference is taking place be prepared to spend the small amount of extra money which will make it run smoothly (e.g., if more sherry is required, buy it). The amounts involved are usually a small part of the overall budget.

5. Informal exchange among participants requires explicit planning. Be sure not to overschedule. It is very useful to plan receptions where participants can anticipate finding each other for conversation. Making the refreshments free adds a note of graciousness and simplifies the arrangements.

6. It is nice to "treat" the workshop facilitators who are volunteering their time by providing free accommodations, etc.

Colleges and universities differ in the facilities available for conferences. Some have a conference center which will handle many of the items discussed above.

B. Conference Coordinator and Planning Committee

It is essential that one person be designated as conference coordinator to serve from the beginning of the conference planning through the post-conference evaluation and report. She must be able to devote part of his or her time to the conference in the early stages of planning. For the six or seven weeks prior to the conference it will be necessary to work full time on the project.

He or she should be assisted by a planning committee which will contribute ideas and time. The committee should be from the college and university community and include representation from the type of persons the conference is intended to serve.

C. Sequence for Planning Activities

1. One Year in Advance

a. Appoint conference planning committee and conference coordinator.
b. Prepare tentative budget and begin fund raising.
c. Set dates for the conference through the college coordinator of special events and the conference planning committee.
d. Secure space for lodging and meeting rooms. (This may require reserving large blocks of rooms in area hotels and motels.)
e. Set up conference account.

2. Seven Months in Advance

a. Initiate inquiries regarding possible program facilitators, speakers, and their specialties.
b. Obtain estimates of services required (lodging, food service, duplicating and printing).
c. Assemble lists (on computer if possible) of categories and names of people to be invited.
d. Contact duplicating facilities regarding time schedules for printing and/or duplicating conference materials.

3. Four Months in Advance

a. Communicate with all key areas concerning conference, stating needs as they appear at that time.
b. Assemble instructional materials to be used for the conference.
c. Order supplies needed in quantity for the conference.
d. Revise budget.
e. Design brochure and take to printer.
f. Print receipts (for registration, accommodations, and key deposit).
g. Contact public relations office to publicize conference.
h. Contact institutional controller to determine specifications of using third-class mail permit.
i. Confirm workshop facilitators and speakers. Send a copy of the sample lecture materials to facilitators and speakers.

4. Three Months in Advance

a. Mail brochure by bulk mail system to preassembled lists.
b. Print all case materials. Send a copy to workshop facilitators.
c. Send brochure to college faculty and staff .
d. Solicit recommendations from each major department head at your institution concerning members of his or her department for whom this may be particularly interesting. You may want to provide "guest status" for a specified number of persons to attend from each department.

5. Six Weeks in Advance

   a. Initiate communication to all campus offices involved to discuss "nitty gritty" details. These offices include: food service department, residence hall coordinator (if applicable), building supervisor (if you are using a number of buildings for meetings and/or for recreation, each must be contacted), custodial service, security, duplicating.
   b. Print signs.
   c. Print meal tickets, name tags, and folders to be given to participants at the conference.
   d. Conduct pre-registration.

6. Three Weeks in Advance

   a. Hire two additional staff members for final arrangements for the conference.
   b. Conduct pre-registration.

7. One Week in Advance

   a. Prepare registration folders for all participants.
   b. Type and alphabetize name tags.
   c. Paper clip meal tickets to name tags. Do not insert name tags into plastic holders at this point; it makes them too slippery to handle. Have a box of name tag holders available at registration so that participants can help themselves.

8. One or Two Days before Conference

   a. Assemble everyone who will work at the conference to review and assign responsibilities. Each staff member should receive the complete packet that the participants have received and be prepared to answer inquiries regarding the contents. The final program should be reviewed and a "walk through" of the conference performed. This involves placing yourself in the role of a participant arriving at the conference and following through each segment of the conference. At this stage any small omissions become evident, such as how will the participants travel across campus if it is raining? Should you rent a bus?

   b. Convey last-minute details to the support staff of the dormitories, kitchens, grounds department. They need to know numbers registered for each meal plan and accommodations. For all conference arrangements bear in mind that complete information reduces anxiety.

   c. Conduct orientation session for workshop facilitators.

D. When the Conference Should Be Held

The conference may, of course, be held at any time of the year, depending on the availability of facilities and the schedules of the coordinators and instructors. Many feel that the best time to hold a conference on campus is soon after school is finished in the spring but before it gets too hot.

It is recommended that the conference be held on a Sunday-Tuesday schedule (this would permit people to travel on the weekend and be away from the office only two workings days) or on a Saturday-Monday schedule (this would result in only one day's absence from work).

The conference may end either at noon or at 4:00 p.m. on the last day, depending on the option chosen. If people are traveling long distances, it may be preferable to end at noon to allow sufficient time to return home by evening. If the majority of people are from one small geographic area, it may be preferable to continue the conference until 4:00 p.m.

E. Conference Budget

An important part of the record keeping for conference expenses is the early establishment of a separate budget number for all charges related to the conference.

The budget should include:

1. Salaries

   a. Conference coordinator (seven weeks). The coordinator will actually begin work one year before the conference, but not on a full-time basis. The estimate should include time for preparation of post-conference evaluations and financial reports.

   b. Secretarial support (six weeks). Secretarial services will be required throughout the year preceding the conference but not full time. Tasks will include: correspondence, assembly of materials as they arrive, duplication of materials in quantity, preparation of packets, preparation of initial bulk mailing, receipt and acknowledgment of registrations, etc.

   c. Additional staff support. It may be reasonable to request the head resident of each dormitory used to assist at the conference accommodations desk to answer inquiries about extra blankets, broken light bulbs, clogged sinks, or whatever. He or she will know where things are located and can do such tasks as wake participants each morning through an all-house announcement of the time. Even if he or she is on the college or university payroll, a supplementary payment should be budgeted because conferences mean much extra work.

   d. Custodial and security services. These involve the preparation and staffing of all facilities, i.e., initial cleaning of dormitory rooms, making of beds (optional), and preparation of the common rooms; opening and preparing individual classrooms and areas for plenary sessions; and providing extra security staff for parking control as well as for evening security at the residences.

   e. Food service staff. It will be necessary to estimate expenses for food service personnel on duty during meals and coffee breaks.

2. Travel

   a. Expenses for meetings of the program committee before the conference (travel, food, and lodging if necessary); funds for a post-conference evaluation and follow-up meeting, if desired.

   b. Expenses of workshop facilitators and speakers to attend conference.

3. Duplicating/Printing/Copying

   a. Conference announcement brochures. These can be printed quite reasonably on inexpensive four-fold paper. In bulk, printing may be cheaper. This budget category might also include special invitations to program participants and to the staff of your institution.

   b. Instructional materials. The estimate for this cost is complicated by not knowing the final number of participants. It is wise to duplicate the maximum amount that may be needed, for prices normally decrease with quantity.

   c. Signs.

   d. Miscellaneous.

4. Postage

   a. Correspondence with program leaders.
   b. Bulk mailing of brochures to potential participants.
   c. First-class mailing of instructional materials and acknowledgment to all registrants.

5. Telephone

Calls required to set up the conference details and programs. Include all long distance calls to program committee members or to potential members as well as all local calls concerning the conference arrangements. (Note that you will probably do much coordination by phone rather than by letters, particularly as the conference time approaches.)

6. Honoraria

Honoraria paid to program leaders or to a featured speaker.

7. Supplies

Folders, name tags, campus maps, pencils, and paper. It is useful to supply all participants with a folder to keep conference papers. If the folders are printed with the conference name and date, this will result in publicity for future conferences

* * * * *

To determine a fee, total all of the above estimates and divide by the number of attendees expected. Then add the per person meal costs and accommodations costs.

It is obvious that two factors affect the budget and the fee: (1) policy decisions made by the program planning committee on items such as whether or not to pay honoraria, how much of the conference coordinator's time should be paid or should be volunteered, etc., and (2) the amount of outside support obtained to offset conference expenses. Needless to say, the more outside support obtained, the lower the fee to conference participants; the lower the fee, the more likely you are to attract a greater number of people.

A sample budget format follows.

Sample Budget

Expenses

Salaries	
Conference Coordinator	$ XX
Secretarial Support	XX
Additional Staff Support	XX
Custodial and Security Services	XX
Food Service Staff	XX
Travel	
Program Committee Meetings	XX
Workshop Facilitators and Speakers	XX
Duplicating/Printing/Copying	
Conference Announcement Brochure	XX
Instructional Materials	XX
Signs	XX
Other	XX
Postage	
Correspondence	XX
Mailing of Brochure	XX
Mailing of Instructional Materials	XX
Telephone	XX
Honoraria	XX
Supplies	XX
Subtotal	$XX,XXX
Less: Outside Support	(XXX)
TOTAL Expenses	$XX,XXX

$$\frac{\text{Total Expenses}}{\text{Total Number of Attendees}} = \$XX$$

+ $ X per person meal and accommodations charge

$XX fee to be charged

F. Accounting for Conference Expenditures

After the date of the conference is confirmed, the coordinator should contact the controller's office concerning the bookkeeping requirements for the financial reports. Separate reports need to be made to the sponsoring foundations or organizations as well as to the program planning committee. Early communications with the controller's office will facilitate the recording of different kinds of information.

As the pre-registration forms are received, they should be recorded in a receipt book on a daily basis and the checks sent to the controller immediately. A notation can be made on the form itself indicating how much was paid and the balance due, if any. The acknowledgment can be prepared and sent to the participant with an indication of any balance due. Although you stress that prepayment is required, often pre-registrations are received without checks or checks are mailed under separate cover by the sponsoring institution with no indication as to the participant's name. These are easily traced by checking participants who have not paid and matching the institution issuing the check with the participant's institutional affiliation.

In terms of staffing, be prepared for a large influx of registrations immediately before and after the deadline. Many registrations will come by telephone. The best way to cope with these is to have many extra registration forms available that may be filled out by the conference secretary as calls come in. It is important to urge these registrants to send their checks immediately, as space (if limited) should not be reserved for them if funds have not been received.

During the conference it is best to keep separate cash boxes for accommodations, key deposits (if deposit is not kept in the empty key envelope), and registration. This will facilitate your final bookkeeping. Since the conference information center may close after the college controller's office, these cash boxes should be stored overnight in a locked area, possibly in the resident director's room. Boxes should be locked before being removed from the conference information center. Responsibility for all cash collections should be clearly assigned to help insure financial integrity, independence, and success of the conference.

The financial report should be prepared as soon as possible after the end of the conference. All expenditures should be listed in the appropriate categories and income separated into grants, registrations (less refunds), accommodations, etc.

II. PRE-CONFERENCE PLANNING

A. Brochure

1. Contents

The brochure should contain, at a minimum, the following information.

a. Name, date, and location of conference.
b. Purpose of the conference and description of audience for whom it was planned. Be as specific as possible to avoid creating inaccurate expectations.
c. Tentative schedule for each day, listing special interest groups or workshops.
d. General registration guidelines (i.e., limits in numbers that can be accommodated, price of the conference and what it will include, whether pre-registration is required).
e. Sponsors of the conference.
f. Coordinators of the conference.
g. Directions by air, bus, train, and car (from east, west, south, and north).
h. Accommodations--dormitories and local hotels with names and prices of each.
i. How registration will be acknowledged and what items will be sent in advance.
j. Tips for participants:
  - Advance study will be required so participants should register early and have ample time to study materials mailed with acknowledgment of registration.
  - Pocket calculators will be useful.
k. Pre-registration form (see sample format, next page).

2. Mailing of Brochure

The least expensive option for mailing large numbers of the brochure is by bulk mail (third class). This is facilitated if the indicia of your college or university is printed directly on the brochure. (This "stamp" with the appropriate number is used by the post office to charge the account of the college.) You must contact the controller of your institution to obtain the specifications for utilizing this indicia.

Flyers must be arranged in order by zip code, banded, and taken to your local post office. It is best to plan time and enough staff for this bulk mailing. Allow three to four weeks for delivery of third class mail.

3. Mailing List

a. College and university presidents in your region (with a cover note from the president of your institution inviting them to pass the word along to men and women in their institutions who may be especially interested). This will alert the presidents to the conference plans and may stimulate them to give special attention to their women administrators.

Sample Registration Form

To be printed on the back side of the address label of the brochure on a perforated tear-off sheet.

To register: Fill out this form and return with your check for $_____ (Specify amount of conference registration and amount of accommodation.) (PREPAYMENT REQUIRED) before _____________ (specify 3-4 weeks before the conference) to: ____________________________ (office address).

Name ____

Position ______________________________________

Institution ____

Address ____

Telephone _______________________

Institutional Characteristics:

☐ Public	☐ Male	☐ 2-year
☐ Private	☐ Female	☐ 4-year
	☐ Coeducational	☐ Graduate or Professional

I would like dormitory accommodations for ____nights ($____ per night) based on 2-person occupancy.

A key deposit of $_____ will be required upon arrival.

Receipt of your study materials will confirm your reservation at the conference.

NOTE THAT THE REGISTRATION FORM IS THE BEST PLACE TO GATHER STATISTICS ON CONFERENCE PARTICIPANTS FOR YOUR EVALUATION REPORT.

b. Women's centers.
c. Staff of your college or university.
d. Participants at related conferences previously held.

(See Appendix for list of women's groups that might be contacted.)

B. Registration

1. Pre-registration

As registrations are received prior to the conference they should be acknowledged. Each participant should receive in the mail:

Acknowledgment of registration.

Any information that was not included in the announcement (such as instructions on how to get to the conference), information on hotels and on parking and fees, etc.

Program schedule.

Handout materials (these might be printed on different colored paper):
- Persons College--Introduction and Parts I and II (with a cover sheet indicating that this material should be read prior to the conference).
- Glossary.
- Bibliography.
- Accounting statements.
- Introduction to Fund Accounting handout.

Shortly before the conference a list of attendees should be prepared. This should list the attendees alphabetically, last name first, and should include area or title, institution, and address. The list should be handed out in the folders distributed at the conference site.

2. On-site Registration

All conference participants should register as they arrive at the site. The registration area should be separated into two main areas--one for those who have pre-registered and are paid, and one for those who are walk-ins or accounts receivable. The paid, pre-registered desk should have a master list of attendees. Those who arrive should be given their name tags and directed to a table where the folders are located. Those who are accounts receivable should pay, be handed name tags, and directed to the folders.

Be sure to have some cash on hand. A typewriter should be available for typing the name tags.

C. Accommodations

Each registration form should have space for participants to check if they want overnight accommodations reserved for them in the dormitory. Accommodations should be prepaid. An alphabetical list must be maintained of all persons opting for such accommodations. Rooms may be pre-assigned, but it is often necessary to make changes at registration because friends arrive together and would like to room together. Therefore, it is best to assign rooms at registration. Those who did not opt for accommodations but request them on arrival may be put on a waiting list if not enough rooms are available. They may check back at the accommodations desk later in the day to see if a previously assigned room has not been used or a potential participant has not checked in. In some places, a key deposit is required of all room registrants. This assures that all keys will be returned and that those that are not returned may be replaced without additional cost to the conference. Registrants should be told in the conference brochure that this deposit will be required. A check for the correct amount made out to the conference can be accepted and returned uncashed at the end of the conference. Printed receipts for the room and key deposit should be available to give to each registrant. Checks or cash may be placed in the same envelope that contained the key, facilitating the return to the correct party. Provision must be made to keep the box of key deposits in a locked place whenever the desk is not covered, for it will contain large sums of money. Cash should be kept on hand to facilitate this process. Students or runners should be available to direct the participants through the dormitory to their rooms.

D. Distribution of Materials

1. Materials Mailed in Advance

The materials to be mailed in advance of the conference are listed under the section on Registration, page 10.

2. Materials Distributed on Site

The information that is given to all participants at registration is the most reliable way to communicate with them and should be as inclusive as possible.

Name tags (with meal tickets clipped to them) should be arranged in alphabetical order and handed out at the registration desk.

On a table set apart from the registration desk should be placed a box of plastic name tag holders and the conference folders. Two-page (four-sided) covers with pockets on each side are best for this purpose. Each folder should include:

a. Final program.
b. Instructional materials not available at the time of pre-registration, if any.
c. Official list of attendees at the time of pre-registration. This facilitates their contacting each other after the conference and contributes to network building. (Additions may be given out at some time during the conference.)
d. List of the colleges represented and the number of participants from each.
e. List of program leaders and their affiliations.
f. General notes of interest for the participants (i.e., location of snack

bar, cigarette machines, convenience items, check-cashing possibilities, recreation on campus, local hospital, etc.).

g. Map of the campus (this may be printed on the inside cover of the program).

h. Evaluation form.

i. A few sheets of paper and a pencil for note taking (optional).

E. Name Tags

It is nice to have name tags printed in advance with the name and dates of the conference. They should be printed on a vertical strip of perforated cardboard that will fit into prepurchased plastic name tag holders (plastic name tag holders are manufactured in different sizes).

Name tags should be typed with as large type as possible, preferably on a bulletin typewriter, if one is available. Alternatively, a Selectric with an Orator element may be used. Simple pica or elite style type is not adequate. Each name tag should contain the following information:

Name
Area (continuing education section, admissions office, etc.)
Institution

The "area" designation is preferred to position titles, since the latter may not convey sufficient information. (It is more helpful to know that someone works in the registrar's office than to know he or she is an administrative assistant.) It is not necessary to include the city and state. These can be found on the list of attendees.

F. Conference Information Center

The conference information center should be open from 8:00 a.m. until 8:00 p.m. each day of the conference. This area serves as a resource center for all participants' questions. It should contain a list of all services available, such as the nearest coffee shop, cigarette machines, soda machines, and pay telephones. It might also sell pads of paper, pens and pencils, tissues, and tampons if there are no stores nearby.

The instructional packet should be available for sale at the conference information center for persons who forget or lose theirs. A count should be kept of the packets available and sold so the remaining ones may be returned with the correct amount of cash collected.

1. Message Desk

A message desk should be located near a telephone for incoming calls. Forms should be provided for participants and program leaders to write messages to one another. Names of persons for whom messages are held may be written on a bulletin board, in alphabetical order, and erased as messages are picked up.

This desk should be located close to but not next to the conference information center because it would create a traffic jam at all break periods. Heaviest use is before and after meals and between workshops.

2. Runners

It is helpful if two persons at the information center are available as runners to take money to the controller or bank for deposit, purchase additional supplies, take participants to specific locations for emergencies, etc. These runners should also be used to guide participants through the campus to locations that are not easily found. Runners do not take the place of signs. They supplement their use and facilitate movements of groups of people.

G. Parking

Parking can be a problem, depending on the time of the year the conference is scheduled. If conferees are housed at area motels and drive to the registration and meeting area, adequate parking must be arranged near the facilities. If they are housed on campus, parking areas should be available near the residence halls or near the meeting facilities, depending on the intended traffic flow. Parking permits may have to be issued.

If there are parking fees, participants should be notified of this fact in the pre-conference mailing.

H. Signs

Signs facilitate the movement of large groups of people through unfamiliar surroundings and help to make people feel at ease. This affects the entire mood of a conference.

Signs needed include:

1. Conference Information Center--signs at the registration area and throughout the conference should indicate a central area where information may be obtained.

2. Pre-registered--for the area where those participants who have sent in their registration materials prior to the conference may come to pick up their final packet. This area may be further separated into A-H, I-P, Q-Z with signs accordingly.

3. Registration--for the area where people who have not pre-registered may register (walk-in registrations).

4. Accommodations--for the area where those needing accommodations may secure them.

5. Workshop Titles--the name of each workshop should be clearly printed on large stock and posted on the entry to each building and on the classroom door.

6. Message Center--for the area where conference participants can leave and/or pick up messages. This area should be close to but distinct from the general conference information center. If the conference is large, it is wise to set this area apart from the traffic flow but near a telephone so messages coming in by telephone may be left at the message desk as well.

7. Welcome--You may want to place a Welcome sign (or Welcome Women Administrators) over the main building that is to be used for conference registration.

8. Parking--Parking areas should be clearly designated. Ask the buildings and grounds department to post signs throughout the campus designating Conference Parking and Conference Registration. If participants are initially able to find their way to the site of the campus and to the registration desk their minds will be more at ease during the conference.

For Workshop III (presentation to the Budget and Finance Committee) which takes place on the third day, the following signs will be required:

President
Vice President for Finance
Vice President for Academic Affairs
Planning Officer
Faculty Member--Priorities Committee
Student Member--Priorities Committee
Budget and Finance Committee

These should be at least four-inch high, tent-type signs. They will be placed on the table in front of each role-playing person for identification.

I. Security

Prior to the conference check with the director of campus safety and security to determine what steps should be taken to effect procedures directed toward the protection of persons and property during the conference (in residence halls, dining halls, and meeting areas).

J. Conference Rooms

If the season is spring or summer you may want to check with the building and grounds department to assure that the area surrounding the conference activity will not need to be mowed while panels or workshops are in session. The noise can be very distracting. In the summer, air conditioning or cross-ventilation is usually required.

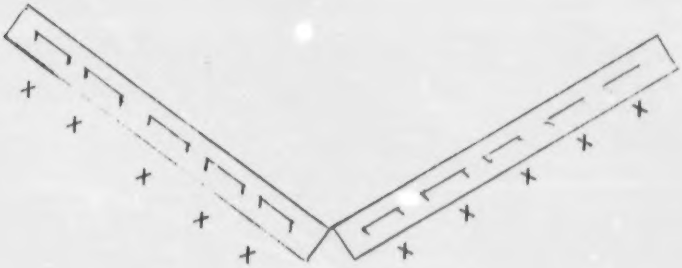
Two different types of rooms are needed for the conference. There must be one large room available for plenary sessions where all participants and workshop leaders may sit comfortably. Several smaller rooms for workshop sessions are needed to seat approximately 12-15 people conference style. (To determine how many smaller rooms are needed, divide 12 or 15 into the total number of attendees.) It is preferable to have all rooms located within close proximity, for the movement of large numbers of people is cumbersome. (It takes a half hour to move a group of 100 people.) If only one or two buildings are used the custodial expenses for opening and maintaining the building are minimized. It is necessary to coordinate the use of the building with the appropriate persons (perhaps the special events coordinator or the buildings and grounds department).

Each workshop room will need chairs and tables in conference style, several glasses and a pitcher of water, a blackboard and chalk, and some ashtrays if smoking is permitted. If smoking is permitted within the room it might be appropriate to designate sections of the room for smokers and nonsmokers.

Consider in advance how you will accommodate an overflow in workshop sessions. Are there more rooms nearby to which you can move? Are there extra chairs that can be brought in?

The plenary lecture sessions may be set up theatre style and should contain: podium (on a raised platform unless sloping amphitheatre-type room is used), large blackboard, large screen, overhead projectors (for all three days), ashtrays (if smoking is permitted), and lavaliere microphone.

For Workshop III on the third day, the stage should be set up as follows:



If an evening networking session (see section N on page 16) is scheduled, a room should be arranged for this purpose. It should be large and comfortable, with lounge furniture and tables for coffee, soft drinks, and cocktails. The furniture should be arranged in several circles, to create groups of about ten persons.

K. Opening Plenary Session

This is the best place to communicate with all participants re logistics of the conference. It might be useful to introduce the conference coordinator at this point and designate him or her as the resource person of the conference. All participants should be urged to read their packets, for many questions will arise that they will find answered in their packets. This is a time for general announcements, such as room changes for workshop sessions, evening events scheduled, etc.

L. Coffee and/or Juice Breaks

Coffee and/or juice breaks enable information discussion among participants. It may be possible to serve the coffee out of doors or physically between locations in order to encourage participants not to linger and delay the start of the next workshop. If disposable cups are used, participants may carry these to the next location and dispose of them there. This would necessitate extra trash containers being placed in the rooms to be used. The food service department of your institution may be able to provide this service if you specify the time, location, and number to be expected at each break.

M. Wine and Cheese Party

A wine and cheese party brings people together in a pleasant way and contributes to network building. Again, it is essential, in order to build on the networks available, to allow and provide opportunity for small groups to gather in informal settings. According to the individual campus guidelines, a student center may be open for individuals to meet for coffee or drinks at the end of the evening.

N. Networking Sessions

CONCERNS has had great success in facilitating the building of regional networks among women by having CONCERNS members lead informal information-sharing sessions on the evening of the second day of the conference. During one of the general sessions on the second day, participants should be told that conference planners will be leading informal discussion sessions that evening. Participants should be invited to come to meet other women discuss career development issues, discuss affirmative action concerns, or simply converse about matters of mutual interest.

If possible, you should select persons to organize these discussions who have had significant experience leading groups, some knowledge of career development issues and resources, and who can act as role models.

III. CONFERENCE EVALUATION AND FOLLOW-UP

The information gathered from the participants' evaluation should be assembled and evaluated. The conference coordinator may do this or you may hire an additional person for this one responsibility. The report should contain information on the sponsorship and purpose of the conference. An overall summary of the conference format is useful. Be sure to include statistics on the levels of administrators attending, the number of institutions represented, etc. This will provide data on the need for a follow-up conference if you wish to hold one.

This report should be sent to all program committee members, funding sources, and interested persons. Should you want to do another conference, this evaluation will be useful for securing funds and sponsorship.

It is useful for members of the planning committee and workshop facilitators to meet following the conference to compare their reactions to the conference with those of the participants. A draft evaluation report should be prepared as a working paper for this meeting.

A note of thanks should be written to each department and/or individual who assisted at the conference, such as the food service, grounds department, special services coordinator, security department, etc.

The financial report should be prepared as soon as possible after the conference ends. It should be submitted to the program planning committee for approval and then sent to the sponsoring foundations or agencies.

APPENDIX

Pages

Women's Organizations 1-4

Visual Aid Materials

Transparency Originals AV-1-AV-15

Chart 1 1

Handouts

Illustrative Exhibits 1-10

Introduction to Fund Accounting in Colleges and Universities 1-5

Bibliography 1-3

Glossary 1-4

Planning and Budgeting Calendar 1

WOMEN'S ORGANIZATIONS

AMERICAN COUNCIL ON EDUCATION
Office of Women
One Dupont Circle
Washington, DC 20036

ADULT EDUCATION ASSOCIATION OF THE U.S.
810 18th St., NW
Washington, DC 20006 (202/347-9574)
Commission on the Status of Women in Adult Education
Chair: Ms. Dolores Harris, Office of Continuing and Adult Education, Glassboro State College, Glassboro, NJ 08028
Special Interest Section: Continuing Education for Women
Chair: Ms. Margo Patterson, Program Consultant, Academic Support Center, U. of Missouri, 505 E. Stewart Rd., Columbia, MO 65201

AMERICAN ANTHROPOLOGICAL ASSOCIATION*
1703 New Hampshire Ave., NW
Washington, DC 20009
Committee on the Status of Women in Anthropology
Chair: Dr. Margaret Fritz, Dept. of Environmental Studies, San Jose State U., San Jose, CA 95192

AMERICAN ASSOCIATION FOR HIGHER EDUCATION*
One Dupont Circle
Washington, DC 20036
(202/293-6440)
Women's Caucus
Coordinator: Ms. Claudine Schweber-Koren

AMERICAN ASSOCIATION FOR THE ADVANCEMENT OF SCIENCE*
Office for Opportunities in Science
1776 Massachusetts Ave., NW
Washington, DC 20036 (202/467-4496)
Director: Dr. Janet W. Brown
Women's Caucus
Chair: Ms. Beatrice Bain, Office of Provost. U. of California, 731 University Hall, Berkeley, CA 94720 (415/642-1638)

AMERICAN ASSOCIATION OF IMMUNOLOGISTS*
9650 Rockville Pike
Bethesda, MD 20014 (301/530-7178)
Women and Minority Immunologists
Exec. Asst.: Ms. Blanche B. Beines

AMERICAN ASSOCIATION OF UNIVERSITY PROFESSORS
Committee on the Status of Women in the Academic Profession (Committee W)
Ms. Carolyn Polowy, One Dupont Circle, Washington, DC 20036 (202/446-8060)
Chair: Prof. Mary Gray, Dept. of Mathematics, American U., Washington, DC 20016

AMERICAN ECONOMIC ASSOCIATION*
Committee on the Status of Women in the Economic Profession
Chair: Dr. Barbara B. Reagan, Southern Methodist U., Dept. of Economics, Dallas, TX 75275 (214/692-2704)

* * * * *

**These groups offer a variety of services regarding employment opportunities, e.g., a roster of women for employers seeking female applicants, listings of job openings in their newsletters, placement services at conventions.*

AMERICAN EDUCATION RESEARCH ASSOCIATION*
1126 16th St., NW
Washington, DC 20036 (202/223-9485)
Staff Liaison: Ms. Patricia Stivers
Committee on Women in Educational Research
Chair: Dr. Carol Tittle, Office of Teacher Ed., CUNY, 1411 Broadway, New York, NY 10028

AMERICAN GEOLOGICAL INSTITUTE*
5205 Leesburg Pike
Falls Church, VA 22041
(703/379-2480)
Exec. Director: Dr. Fred Honkala
Women Geoscientists Committee
Chair: Dr. Theresa F. Schwarzer, Exxon Production Research Co., P.O. Box 2189, Houston, TX 77001 (713/622-4222 X2622)

AMERICAN HISTORICAL ASSOCIATION*
400 A St., SW
Washington, DC 20003 (202/544-2422)
Staff Liaison: Ms. Eleanor F. Straub
Committee on Women Historians
Chair: Dr. Joan Kelly-Gadol, Dept. of History, City College, CUNY, New York, NY 10027

AMERICAN INSTITUTE OF ARCHITECTS
Women in Architecture Task Force
1736 New York Ave., NW
Washington, DC 20006 (202/785-7254)
Contact: Mr. Alan B. Stover, Director, Practice Programs
Chair: Ms. Judith Edelman, AIA, Edelman and Salzman, 434 6th Ave., 6th Flr., New York, NY 10011 (212/924-4818)

AMERICAN INSTITUTE OF CHEMISTS*
7315 Wisconsin Ave.
Bethesda, MD 20014 (301/652-2447)
Exec. Director: Dr. John L. Hickson
Professional Opportunities for Women Committee
Chair: Dr. Helene N. Guttman, Dept. of Biological Sciences, U. of Illinois at Chicago Circle, Chicago, IL 60680

AMERICAN LIBRARY ASSOCIATION
50 E. Huron St.
Chicago, IL 60611 (202/547-4440)
Social Responsibilities Round Table
Task Force on the Status of Women
Coordinator: Ms. Elizabeth Futas, 51 Huntington St., New Brunswick, NJ 08901 (201/828-7515)

AMERICAN MEDICAL WOMEN'S ASSOCIATION, INC.*
1740 Broadway
New York, NY 10019 (212/585-8683)
Exec. Director: Ms. Lorraine Laesel
President: Dr. Carolyn S. Pincock

AMERICAN PERSONNEL AND GUIDANCE ASSOCIATION*
1600 New Hampshire Ave., NW
Washington, DC 20009
(202/483-4633)
Commission on Women
Chair: Dr. Norma Simon, 2 Garden Place, Pelham Manor, NY 10803
Women's Caucus
Chair: Dr. Helen Roehlke, U. of Missouri, 304 Parker Hall, Columbia, MO 65201

AMERICAN PHILOLOGICAL ASSOCIATION*
Committee on the Status of Women and Minority Groups
Chair: Prof. Jane M. Snyder, Dept. of Classics, Ohio State U., Columbus, OH 43210

AMERICAN PHILOSOPHICAL ASSOCIATION*
Society for Women in Philosophy
Chair: Ms. Susan Ekstrom, Dept. of Philosophy, Morrill Hall, Michigan State U., East Lansing, MI 48824

AMERICAN PHYSICAL SOCIETY*
Committee on Women in Physics
Chair: Dr. Margaret E. Law, Lab of Physics, Harvard U., Cambridge, MA 02138

AMERICAN PHYSIOLOGICAL SOCIETY
9650 Rockville Pike
Bethesda, MD 20014 (301/530-7164)
Liaison: Ms. Mary Dittbrenner
Task Force on Women in Physiology
Chair: Dr. Elizabeth Tidball, Dept.
of Physiology, George Washington
U., 2300 Eye St., Washington, DC
20037 (202/331-6559)

AMERICAN POLITICAL SCIENCE ASSOCIATION*
1527 New Hampshire Ave., NW
Washington, DC 20036
(202 483-2512)
Committee on the Status of Women
in the Profession
Chair: Dr. Barbara Calloway

ASSOCIATION FOR ASIAN STUDIES*
One Lane Hall
University of Michigan
Ann Arbor, MI 48104
(303/665-2490)
Adm. Officer: Ms. Carol J. Johnson
Committee on the Role of Women in
Asian Studies
Chair: Dean Alice Ilchman, Oakwoods,
Wellesley Col., Wellesley,
MA 02181 (617/237-6249)

ASSOCIATION OF AMERICAN COLLEGES
1818 R St., NW
Washington, DC 20009
Project on the Status and Education
of Women
Dr. Bernice Sandler

ASSOCIATION OF AMERICAN LAW SCHOOLS*
One Dupont Circle, NW, Suite 370
Washington, DC 20036
(202/296-8851)
Section on Women in Legal Education
Chair: Prof. Mary Moers Wenig,
St. John's U., Grand Central &
Utopia Parkway, Jamaica, NY
11439

COLLEGE ART ASSOCIATION OF AMERICA*
Committee on the Status of Women
in the Profession
16 E. 52nd St.
New York, NY 10022 (212/755-3532)
Exec. Secretary: Ms. Rose R. Weil
Chair: Prof. Sheila McNally, U. of
Michigan, Ann Arbor, MI 55455
(612/373-2872)

COLLEGE MUSIC SOCIETY*
Department of Music
State University of New York
Binghamton, NY 13901
Exec. Secretary: Mr. Craig Short
Committee on the Status of Women
in the Professions
Co-Chairs: Dr. Carolyn Raney,
Peabody Conservatory of Music,
Baltimore, Md 21202; and
Prof. Adrienne Fried Block,
14 Stuyvesant Oval, New York, NY
10009

EVERYWOMAN'S CENTER
University of Massachusetts
Amherst, MA 01002

HERS
Martha Toppins
Wellesley College
Wellesley, MA 02181

LATIN AMERICAN STUDIES ASSOCIATION*
Women's Committee
Chair: Dr. Evelyn P. Stevens,
14609 So. Woodland Rd.,
Shaker Heights, OH 44120
(216/283-7859)

MODERN LANGUAGE ASSOCIATION*
62 Fifth Ave.
New York, NY 10011
Committee on the Status of Women
in the Profession
Co-Chairs: Dr. Jean A. Perkins,
Dept. of Modern Languages,
Swarthmore Col., Swarthmore, PA
19081; and Dr. Gloria DeSale,
Dept. of English, Skidmore Col.,
Saratoga Springs, NY 12866

NATIONAL ASSOCIATION FOR WOMEN DEANS, ADMINISTRATORS AND COUNSELORS*
1028 Connecticut Ave., NW
Washington, DC 20036 (202/659-9330)
Exec. Director: Ms. Joan M. McCall

NATIONAL ASSOCIATION OF STUDENT PERSONNEL ADMINISTRATORS
Task Force on Women
Chair: Ms. E. Susan Petering, Dean
of Students, Wheaton College,
Norton, MA 02766

NATIONAL COUNCIL FOR THE SOCIAL STUDIES
1515 Wilson Blvd.
Arlington, VA 22209 (703/527-4954)
Advisory Committee on Social Justice
for Women
Chair: Ms. Carole Hahn, Div. of
Educational Studies, Emory U.,
Atlanta, GA 30322
(404/377-2411 X7531)

NATIONAL COUNCIL OF ADMINISTRATIVE WOMEN IN EDUCATION*
1815 Fort Meyer Drive
North Arlington, VA 22209
(703/528-6111)
Women's Caucus
Chair: Ms. Betty Jean Radvak
President: Ms. Georgia Bowman

NATIONAL EDUCATION ASSOCIATION
1201 16th St., NW
Washington, DC 20036 (202/833-4000)
President: Mr. James Harris
Women's Caucus
Chair: Ms. Virginia L. Paul, 60 Silver
Beach Dr., Steilacoom, WA
98388 (206/584-3825)

NATIONAL UNIVERSITY EXTENSION ASSOCIATION
One Dupont Circle, NW
Washington, DC 20036 (202/659-3130)
Division of Women's Education
Chair: Ms. Maria del Drago, U. of
California, Berkeley Campus, 273
Fulton St., Berkeley, CA 90024
Committee on Women's Concerns
Chair: Dr. Betty Siegal, Dean of
Continuing Ed., U. of Florida,
Gainesville, FL 32611

SOCIETY OF AMERICAN ARCHIVISTS
Ad Hoc Committee on the Status of
Women in the Archival Profession
Chair: Ms. Andrea Hinding, Univ.
Libraries, U. of Minnesota,
Minneapolis, MN 55455

WOMEN EDUCATORS (formerly the Women's Caucus of AERA)*
Coordinator: Ms. Carston McKay,
Madison Area Technical Col., 211
N. Carroll St., Madison, WI 53703
(608/257-6711 X343)

WOMEN TODAY
Ms. Myra Barrerr, Editor (for compendium of women's organizations)
Today Publications and News Service
National Press Building
Washington, DC 20054

A number of these organizations have recently formed a federation to coordinate their efforts, share resources, and promote professional career opportunities for women:

FEDERATION OF ORGANIZATIONS FOR PROFESSIONAL WOMEN
1346 Connecticut Ave., NW--Rm 1122
Washington, DC 20036 (202/283-1998)
and 828 Washington St., Wellesley,
MA 02181 (617/235-8624)

PLANNING DECISIONS

ABOUT---

- PHILOSOPHY
- OBJECTIVES
- PROGRAMS
- ORGANIZATION
- STAFFING
- FACILITIES

190

BASIC STEPS

1. **DETERMINE WHAT IS TO BE DONE**
   - INSTITUTIONAL GOALS AND ACADEMIC PROGRAMS

2. **DEVELOP OPERATIONAL PLANS TO DO IT**
   - SUPPORT PROGRAMS AND BUDGETS

3. **ADOPT CONTROLS TO TEST IF PLANS ARE BEING FOLLOWED**
   - OPERATING STATEMENTS, PROGRAM REVIEWS

4. **ESTABLISH SYSTEM OF EVALUATION TO DETERMINE PLAN ACHIEVEMENTS**
   - IN DEPTH ANALYSES, RESULT MEASUREMENTS

BUDGETING SYSTEMS

- LINE ITEM INCREMENTAL BUDGETING
- MULTIPLE BUDGETING
- NACUBO PLANNING AND BUDGETING SYSTEM
- FORMULA BUDGETING
- PLANNING-PROGRAMMING-BUDGETING SYSTEMS (PPBS)
- ZERO BASE BUDGETING

PICK ONE!

LINE ITEM INCREMENTAL BUDGET FORMAT

DEPARTMENT ENGLISH

ACCOUNT CODE	ACCOUNT TITLE	1974-75 ACTUAL	1975-76 ACTUAL	1976-77 BUDGET	1977-78 REQUESTED	APPROVED BUDGET	PERCENT CHANGE FOR 1977-1978
	INSTRUCTIONAL SALARIES						
1100	TENURED, FULL-TIME	$156,800	$164,600	$174,900			
1150	UNTENURED, FULL-TIME ETC.	70,500	72,600	74,200			
	OTHER SALARIES						
1400	CLERICAL	$ 5,600	$ 5,800	$ 6,200			
1600	STUDENT WAGES, ETC.	700	800	900			
	NON-SALARY						
2100	OFFICE SUPPLIES	$ 300	$ 350	$ 400			
2200	INSTRUCTIONAL SUPPLIES, ETC.	400	400	450			

GUIDELINES: SALARY INCREMENT POOL 6%
NON-SALARY INCREMENT POOL 5%

STATE OF EUPHORIA
NO NAME STATE UNIVERSITY ESTIMATED FUNDS 1977-1978
BUDGET ALLOCATIONS FOR EUPHORIA RESIDENT STUDENTS (FTE)

COLLEGE OR DIVISION	PER STUDENT ALLOCATION AMOUNT	ENROLLMENT SPRING, 1977 (ACTUAL)	ENROLLMENT FALL, 1977 ESTIMATED	ALLOCATION AMOUNT	ENROLLMENT SPRING, 1978 (ESTIMATED)	ALLOCATION AMOUNT
ARTS AND SCIENCES						
LOWER DIVISION	$243	4,102	4,015	$ 975,645	3,756	$ 912,708
UPPER DIVISION	276	3,010	2,922	806,472	2,791	770,316
GRADUATE	380	1,118	1,103	419,140	1,084	411,920
SUB-TOTALS		8,230	8,040	$2,201,257	7,631	$2,094,944
ENGINEERING						
LOWER DIVISION	$275	1,036	1,012	$ 278,300	974	$ 267,850
UPPER DIVISION	315	821	756	238,140	691	217,665
GRADUATE	465	280	270	125,550	258	119,970
SUB-TOTALS		2,137	2,038	$ 641,990	1,923	$ 605,485

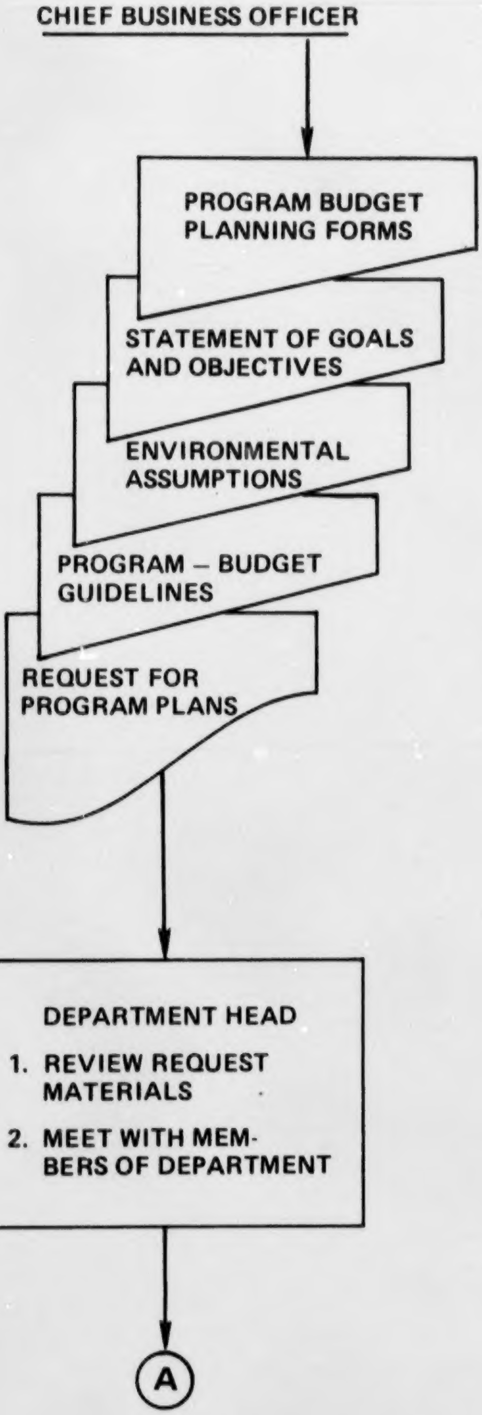
ETC.

AV-5

SAMPLE PLANNING AND BUDGETING CALENDAR

ACTION STEPS	May 1	June 1	July 1	Aug. 1	Sept. 1	Oct. 1	Nov. 1	Dec. 1	Jan. 1	Feb. 1	Mar. 1	Apr. 1	May 1	June 1	July 1	Aug
Preparation of basic planning assumptions																
1. Review and revise goals and objectives																
2. Review and revise general college policies																
3. Develop institutional environmental assumptions																
4. Develop external environmental assumptions																
5. Prepare revenue estimates																
6. Prepare budget working papers																
7. Secure governing board approval (1-6)																
Preparation of plan and budget																
8. Issue requests for academic program plans and budgets																
9. Administrative review																
10. Review academic program plan and budget summary (planning team)																
11. Issue requests for support program plans and budgets																
12. Administrative review																
13. Review support program plan and budget summary (planning team)																
14. Prepare staffing tables																
15. Prepare preliminary operating budgets																
16. Prepare cash flow projections																
17. Prepare capital expenditure budget																
18. Analyze program plan and budget																
19. Review analytical studies team recommendations																
20. Prepare final plan and budget																
21. Secure governing board approval																
22. Publish plan and budget																

PREPARATION OF SUPPORT SERVICES PLANS



CHIEF BUSINESS OFFICER

PROGRAM BUDGET PLANNING FORMS

STATEMENT OF GOALS AND OBJECTIVES

ENVIRONMENTAL ASSUMPTIONS

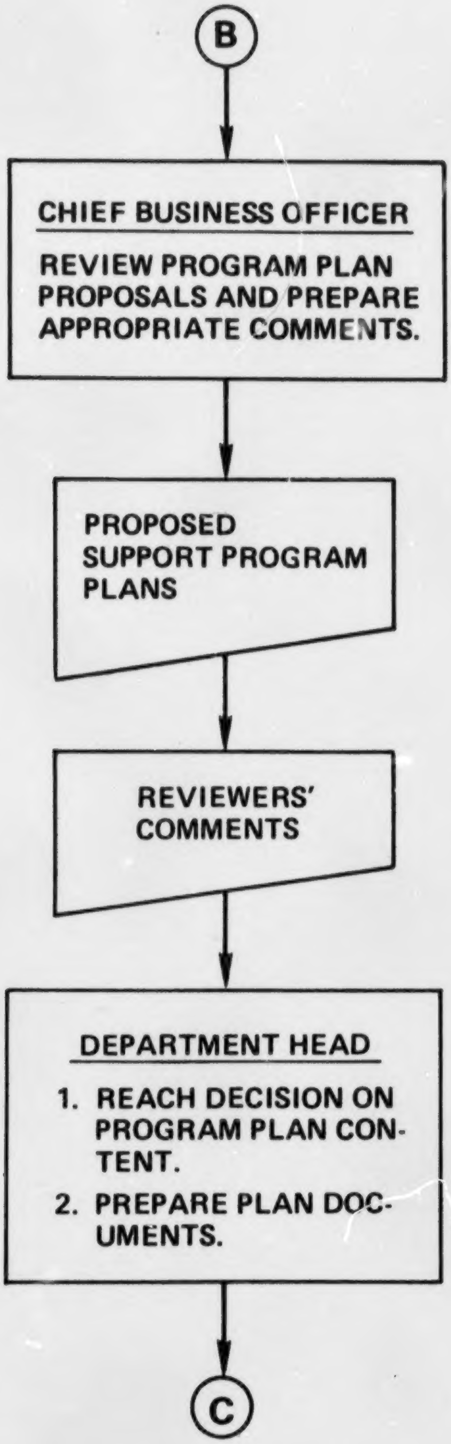
PROGRAM – BUDGET GUIDELINES

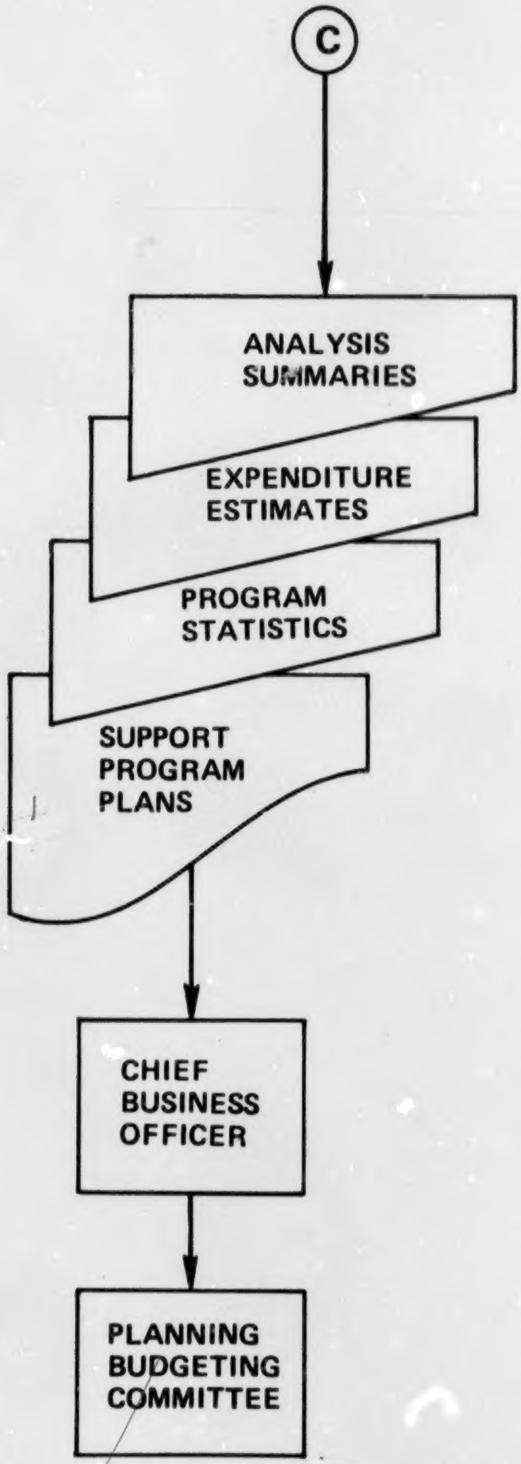
REQUEST FOR PROGRAM PLANS

DEPARTMENT HEAD

1. REVIEW REQUEST MATERIALS
2. MEET WITH MEMBERS OF DEPARTMENT

A


B
CHIEF BUSINESS OFFICER
REVIEW PROGRAM PLAN PROPOSALS AND PREPARE APPROPRIATE COMMENTS.
PROPOSED SUPPORT PROGRAM PLANS
REVIEWERS' COMMENTS
DEPARTMENT HEAD
1. REACH DECISION ON PROGRAM PLAN CONTENT.
2. PREPARE PLAN DOCUMENTS.
C

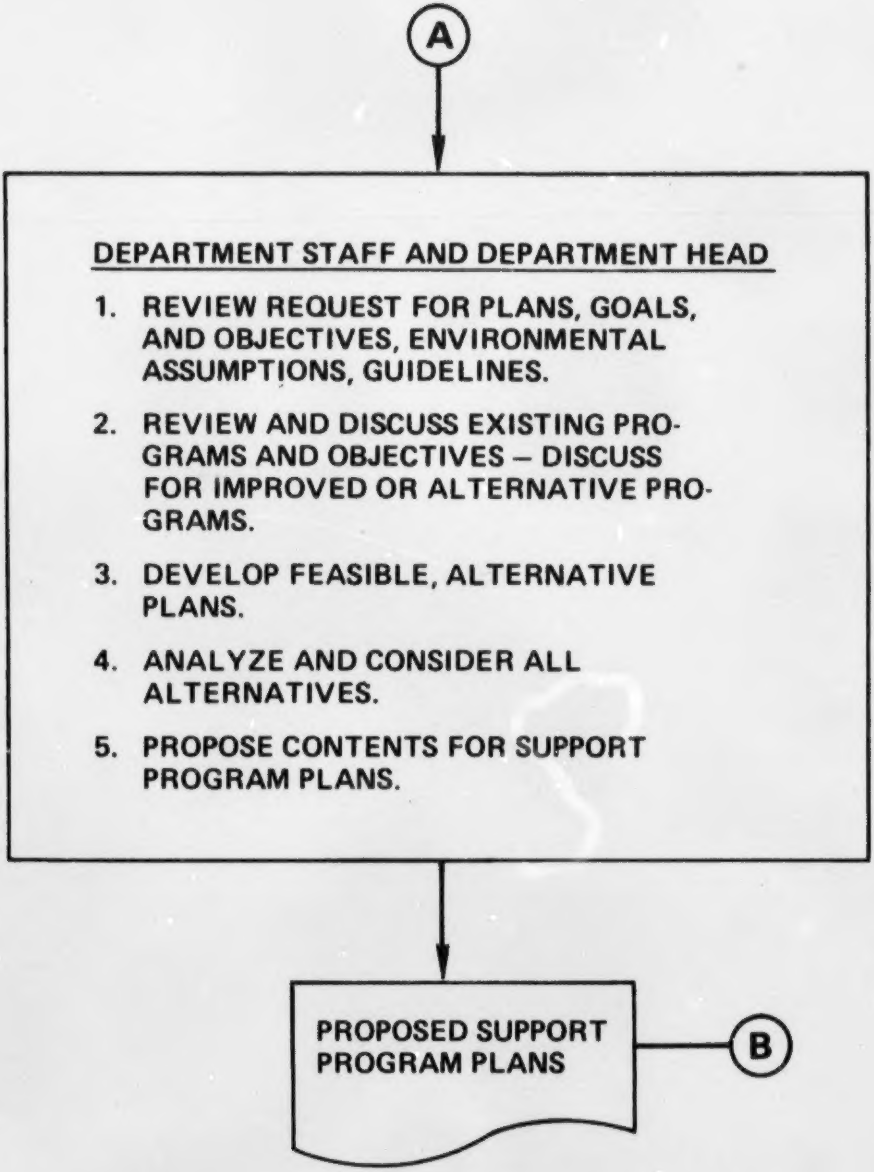

C
ANALYSIS SUMMARIES
EXPENDITURE ESTIMATES
PROGRAM STATISTICS
SUPPORT PROGRAM PLANS
CHIEF BUSINESS OFFICER
PLANNING BUDGETING COMMITTEE

AV-8c

BASIC PLANNING ASSUMPTIONS

1. A STATEMENT OF INSTITUTIONAL **MISSION**
2. A STATEMENT OF PERTINENT COLLEGE **POLICIES**
3. A SUMMARY OF **EXTERNAL ENVIRONMENTAL ASSUMPTIONS**
4. A SUMMARY OF **INTERNAL ENVIRONMENTAL ASSUMPTIONS**

AV-7



DEPARTMENT STAFF AND DEPARTMENT HEAD

1. REVIEW REQUEST FOR PLANS, GOALS, AND OBJECTIVES, ENVIRONMENTAL ASSUMPTIONS, GUIDELINES.
2. REVIEW AND DISCUSS EXISTING PROGRAMS AND OBJECTIVES – DISCUSS FOR IMPROVED OR ALTERNATIVE PROGRAMS.
3. DEVELOP FEASIBLE, ALTERNATIVE PLANS.
4. ANALYZE AND CONSIDER ALL ALTERNATIVES.
5. PROPOSE CONTENTS FOR SUPPORT PROGRAM PLANS.

PROPOSED SUPPORT PROGRAM PLANS

AV-8a

SALARY DATA

PROFESSORS	YEARS RANK	YEARS PERSONS	YEARS OTHER	SALARY 1975-76	SALARY 1976-77	PROPOSED INCREASE 1977-78	SALARY 1977-78	RETIREMENT	SABBATICAL	TENURE
	21	23	6	$29,435	$30,171			1979		T
	16	16	16	27,705	28,398			1988		T
	12	20	1	25,685	27,327				1978-79	T
	21	27	3	26,125	27,278			1981		T
	13	21	2	25,070	26,697				1980-81	T
	13	21	2	25,115	26,243			1984		T
	15	17	13	24,830	25,951			1984	1977-78	T
	2	15	4	24,075	25,677					T
	9	14	11	23,925	25,523					T
	8	11	10	24,210	25,315					T
	11	23	0	22,980	24,554			1984	1979-80	T
	2	14	2	22,315	23,873					T
	7	15	8	21,450	23,536					T
	2	11	3	22,460	23,521					T

AV-9

TEN YEAR HISTORY
ENROLLMENT/TEACHING FACULTY/ VOLUME OF COURSES
1965-66 THROUGH 1975-76

	1965-66	1974-75	1975-76
I. FALL QUARTER ONLY:			
A. TOTAL ENROLLED	1,198	1,400	1,497
B. ON-CAMPUS FOR INSTRUCTION	818	1,032	1,109
C. PERCENT ON-CAMPUS	68.2%	73.7%	74.1%
D. TEACHING FACULTY (FTE)	51.50	62.50	61.33
E. FACULTY-STUDENT RATIO	1:15.88	1:16.51	1:18.08
F. # OF COURSES	87	115	118
G. # OF INDEPENDENT STUDY COURSES/ FAC. INVOLVED	29/29	27/28	30/28
II. WINTER QUARTER ONLY:	--	--	--
III. SPRING QUARTER ONLY:	--	--	--
IV. SUMMER QUARTER ONLY:	--	--	--
TOTAL COURSES PER YEAR	342	402	430
TOTAL INDEPENDENTS PER YEAR	84/83	128/126	141/136

CASH FLOW - - 1974 - 1975

	INCOME			EXPENSE				
	DEPOSITS	TRANSFERS	TOTAL	ACCOUNTS PAYABLE	PAYROLLS	TOTAL	WEEKLY NET	CUMULATIVE NET
OCTOBER	$101,511	$100,000	$201,511	$ 13,619	$156,827	$170,446	$ 31,065	$ 31,065
	359,726	50,000	409,726	127,777	–	127,777	281,949	313,014
	25,388	25,000	50,388	18,986	11,574	30,560	19,828	332,842
	51,474	60,000	111,474	175,427	–	175,427	(63,953)	268,889
NOVEMBER	35,950	250,000	285,950	62,381	176,274	238,655	47,295	316,184
	24,702	50,000	74,702	115,345	–	115,345	(40,643)	275,541
	14,051	170,000	184,051	187,609	13,782	201,391	(17,340)	258,201
	34,690	63,360	103,050	45,039	–	45,039	(58,011)	316,212
DECEMBER	–	–	–	–	–	–	–	–

AV-11

PEOPLE IN THE PROCESS

THE GOVERNING BOARD

THE PRESIDENT

THE FACULTY

THE CHIEF BUSINESS OFFICER

THE CHIEF ACADEMIC OFFICER

THE PLANNING OFFICER

THE PLANNING TEAM (PRIORITIES COMMITTEE

THE STUDENTS

CONSTITUENT REPRESENTATION

BUDGET CUTTING

OBJECT: REDUCE PERSONNEL COSTS 10% FROM BUDGET TO BUDGET

• ANNUAL EDUC. & GENERAL EXPENDITURES		$8,000,000
PERSONNEL SERVICES		4,800,000
• AVERAGE COMPENSATION LEVELS:	FACULTY	$16,500
	NON-FACULTY	14,200

BUDGET CUTTING

HORIZONTAL CUTTING ACROSS THE BOAR
10% CUT

VERAGE COMPENSATION AFTER CUT:

FACULTY	$14,850
NON-FACULTY	12,180

- SALARIES NO LONGER COMPETITIVE
- THE BEST QUALITY PEOPLE LEAVE
- MORALE DETERIORATES

BUDGET CUTTING

HORIZONTAL CUTTING **ACROSS THE BOARD**
10% CUT

AVERAGE COMPENSATION AFTER CUT:

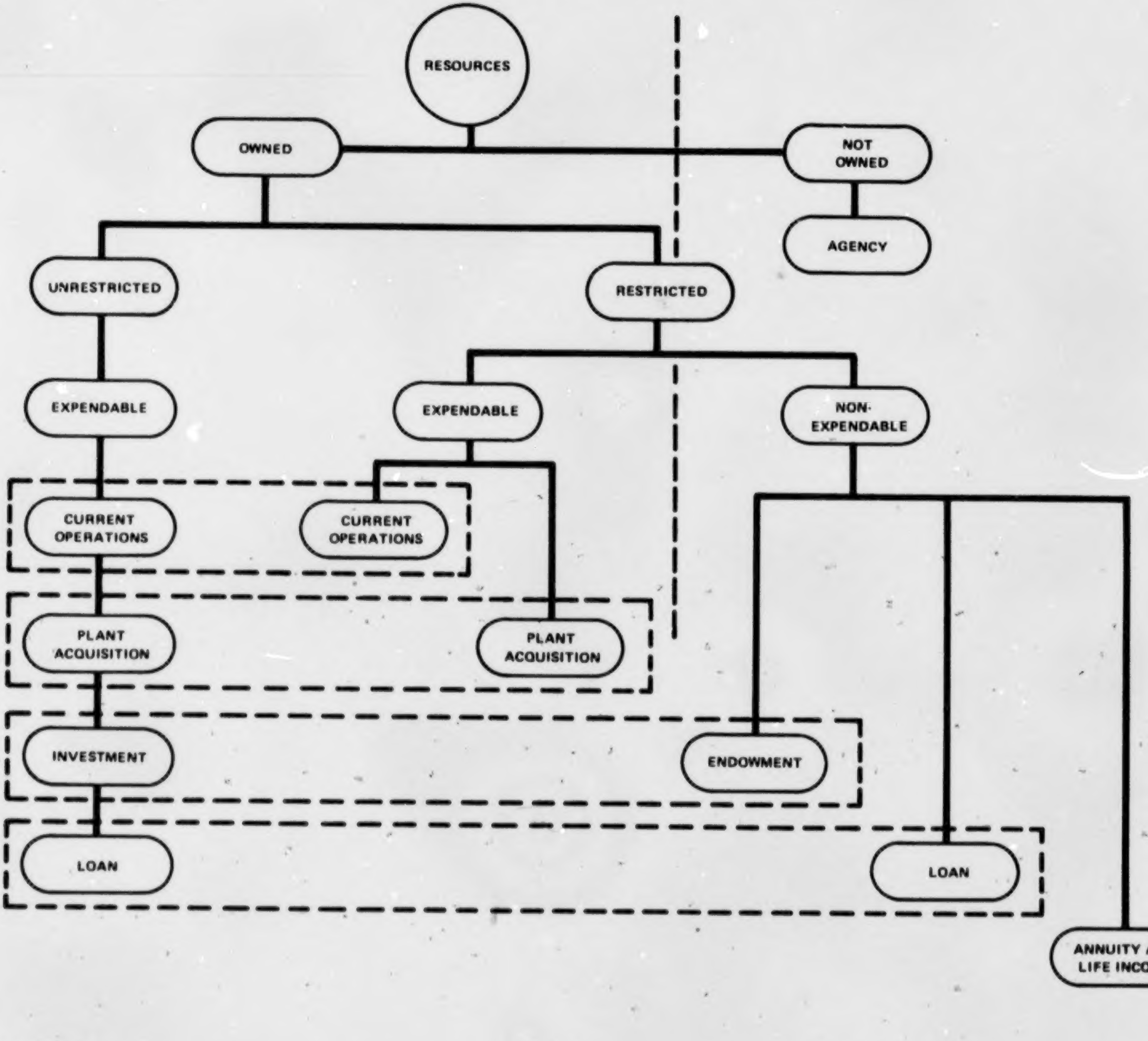
FACULTY	$14,850
NON-FACULTY	12,180

- SALARIES NO LONGER COMPETITIVE
- THE BEST QUALITY PEOPLE LEAVE
- MORALE DETERIORATES

BUDGET CUTTING

VERTICAL CUTTING: ELIMINATE INDIVIDUALS
DROP: 10 FACULTY
22 STAFF

- SALARIES REMAIN COMPETITIVE
- THE POOREST QUALITY PEOPLE LEAVE
- THE BEST QUALITY PEOPLE REMAIN
- MORALE IS NOT HURT BADLY


RESOURCES
OWNED
NOT OWNED
AGENCY
UNRESTRICTED
RESTRICTED
EXPENDABLE
EXPENDABLE
NON-EXPENDABLE
CURRENT OPERATIONS
CURRENT OPERATIONS
PLANT ACQUISITION
PLANT ACQUISITION
INVESTMENT
ENDOWMENT
LOAN
LOAN
ANNUITY A
LIFE INCO

HART I

Illustrative Exhibits

THE FIGURES used in the accompanying exhibits are illustrative only and are not intended to indicate any relationship among accounts. The summary of significant accounting policies and notes to financial statements relate to the illustrative statements. Modifications should be made thereto as appropriate to actual circumstances.

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Sample Educational Institution

Exhibit A

Balance Sheet

June 30, 19____

with comparative figures at June 30, 19____

Assets

Current Funds	Current Year	Prior Year
Unrestricted		
Cash	$ 210,000	$ 110,000
Investments	450,000	360,000
Accounts receivable, less allowance of $18,000 both years	228,000	175,000
Inventories, at lower of cost (first-in, first-out basis) or market	90,000	80,000
Prepaid expenses and deferred charges	28,000	20,000
Total unrestricted	1,006,000	745,000
Restricted		
Cash	145,000	101,000
Investments	175,000	165,000
Accounts receivable, less allowance of $8,000 both years	68,000	160,000
Unbilled charges	72,000	—
Total restricted	460,000	426,000
Total current funds	1,466,000	1,171,000
Loan Funds		
Cash	30,000	20,000
Investments	100,000	100,000
Loans to students, faculty, and staff, less allowance of $10,000 current year and $9,000 prior year	550,000	382,000
Due from unrestricted funds	3,000	—
Total loan funds	683,000	502,000
Endowment and Similar Funds		
Cash	100,000	101,000
Investments	13,900,000	11,800,000
Total endowment and similar funds	14,000,000	11,901,000

Liabilities and Fund Balances

Current Funds	Current Year	Prior Year
Unrestricted		
Accounts payable	$ 125,000	$ 100,000
Accrued liabilities	20,000	15,000
Students' deposits	30,000	35,000
Due to other funds	158,000	120,000
Deferred credits	30,000	20,000
Fund balance	643,000	455,000
Total unrestricted	1,006,000	745,000
Restricted		
Accounts payable	14,000	5,000
Fund balances	446,000	421,000
Total restricted	460,000	426,000
Total current funds	1,466,000	1,171,000
Loan Funds		
Fund balances		
U.S. government grants refundable	50,000	33,000
University funds		
Restricted	483,000	369,000
Unrestricted	150,000	100,000
Total loan funds	[illegible]83,000	502,000
Endowment and Similar Funds		
Fund balances		
Endowment	7,800,000	6,740,000
Term endowment	3,840,000	3,420,000
Quasi-endowment—unrestricted	1,000,000	800,000
Quasi-endowment—restricted	1,360,000	941,000
Total endowment and similar funds	14,000,000	11,901,000

Annuity and Life Income Funds

Annuity funds		
Cash	$ 55,000	$ 45,000
Investments	3,260,000	3,010,000
Total annuity funds	3,315,000	3,055,000
Life income funds		
Cash	15,000	15,000
Investments	2,045,000	1,740,000
Total life income funds	2,060,000	1,755,000
Total annuity and life income funds	5,375,000	4,810,000

Plant Funds

Unexpended		
Cash	275,000	410,000
Investments	1,285,000	1,590,000
Due from unrestricted current funds	150,000	120,000
Total unexpended	1,710,000	2,120,000
Renewals and replacements		
Cash	5,000	4,000
Investments	150,000	286,000
Deposits with trustees	100,000	90,000
Due from unrestricted current funds	5,000	—
Total renewals and replacements	260,000	380,000
Retirement of indebtedness		
Cash	50,000	40,000
Deposits with trustees	250,000	253,000
Total retirement of indebtedness	300,000	293,000
Investment in plant		
Land	500,000	500,000
Land improvements	1,000,000	1,110,000
Buildings	25,000,000	24,060,000
Equipment	15,000,000	14,200,000
Library books	100,000	80,000
Total investment in plant	41,600,000	39,950,000
Total plant funds	43,870,000	42,743,000

Agency Funds

Cash	50,000	70,000
Investments	60,000	20,000
Total agency funds	110,000	90,000

Annuity and Life Income Funds

Annuity funds		
Annuities payable	$ 2,150,000	$ 2,300,000
Fund balances	1,165,000	755,000
Total annuity funds	3,315,000	3,055,000
Life income funds		
Income payable	5,000	5,000
Fund balances	2,055,000	1,750,000
Total life income funds	2,060,000	1,755,000
Total annuity and life income funds	5,375,000	4,810,000

Plant Funds

Unexpended		
Accounts payable	10,000	—
Notes payable	100,000	—
Bonds payable	400,000	—
Fund balances		
Restricted	1,000,000	1,860,000
Unrestricted	200,000	260,000
Total unexpended	1,710,000	2,120,000
Renewals and replacements		
Fund balances		
Restricted	25,000	180,000
Unrestricted	235,000	200,000
Total renewals and replacements	260,000	380,000
Retirement of indebtedness		
Fund balances		
Restricted	185,000	125,000
Unrestricted	115,000	168,000
Total retirement of indebtedness	300,000	293,000
Investment in plant		
Notes payable	790,000	810,000
Bonds payable	2,200,000	2,400,000
Mortgages payable	400,000	200,000
Net investment in plant	38,210,000	36,540,000
Total investment in plant	41,600,000	39,950,000
Total plant funds	43,870,000	42,743,000

Agency Funds

Deposits held in custody for others	110,000	90,000
Total agency funds	110,000	90,000

See accompanying Summary of Significant Accounting Policies and Notes to Financial Statements

Sample Educational Institution

Exhibit B

Statement of Changes in Fund Balances

Year Ended June 30, 19____

	Current Funds		Loan Funds	Endowment and Similar Funds	Annuity and Life Income Funds	Plant Funds			
	Unrestricted	Restricted				Unexpended	Renewals and Replacements	Retirement of Indebtedness	Investment in Plant
Revenues and other additions									
Unrestricted current fund revenues	$7,540,000								
Expired term endowment—restricted						50,000			
State appropriations—restricted						50,000			
Federal grants and contracts—restricted		500,000							
Private gifts, grants, and contracts—restricted		370,000	100,000	1,500,000	800,000	115,000		65,000	15,000
Investment income—restricted		224,000	12,000	10,000		5,000	5,000	5,000	
Realized gains on investments—unrestricted				109,000					
Realized gains on investments—restricted			4,000	50,000		10,000	5,000	5,000	
Interest on loans receivable			7,000						
U.S. government advances			18,000						
Expended for plant facilities (including $100,000 charged to current funds expenditures)									1,550,000
Retirement of indebtedness									220,000
Accrued interest on sale of bonds								3,000	
Matured annuity and life income restricted to endowment				10,000					
Total revenues and other additions	7,540,000	1,094,000	141,000	1,679,000	800,000	230,000	10,000	78,000	1,785,000
Expenditures and other deductions									
Educational and general expenditures	4,400,000	1,014,000							
Auxiliary enterprises expenditures	1,830,000								
Indirect costs recovered		35,000							
Refunded to grantors		20,000	10,000						
Loan cancellations and write-offs			1,000						
Administrative and collection costs			1,000					1,000	
Adjustment of actuarial liability for annuities payable					75,000				
Expended for plant facilities (including noncapitalized expenditures of $50,000)						1,200,000	300,000		
Retirement of indebtedness								220,000	
Interest on indebtedness								190,000	
Disposal of plant facilities									115,000
Expired term endowments ($40,000 unrestricted, $50,000 restricted to plant)				90,000					
Matured annuity and life income funds restricted to endowment					10,000				
Total expenditures and other deductions	6,230,000	1,069,000	12,000	90,000	85,000	1,200,000	300,000	411,000	115,000

Transfers among funds—additions/(deductions)									
Mandatory:									
Principal and interest	(340,000)							340,000	
Renewals and replacements	(170,000)						170,000		
Loan fund matching grant	(2,000)		2,000						
Unrestricted gifts allocated	(650,000)		50,000	550,000		50,000			
Portion of unrestricted quasi-endowment funds investment gains appropriated	40,000			(40,000)					
Total transfers	(1,122,000)		52,000	510,000		50,000	170,000	340,000	
Net increase/(decrease) for the year	188,000	25,000	181,000	2,099,000	715,000	(920,000)	(120,000)	7,000	1,670,000
Fund balance at beginning of year	455,000	421,000	502,000	11,901,000	2,505,000	2,120,000	380,000	293,000	36,540,000
Fund balance at end of year	643,000	446,000	683,000	14,000,000	3,220,000	1,200,000	260,000	300,000	38,210,000

See accompanying Summary of Significant Accounting Policies and Notes to Financial Statements

Sample Educational Institution

Exhibit C

Statement of Current Funds Revenues, Expenditures, and Other Changes

Year Ended June 30, 19___

	Current Year			Prior
	Unrestricted	**Restricted**	**Total**	**Year Total**
Revenues				
Tuition and fees	$2,600,000		$2,600,000	$2,300,000
Federal appropriations	500,000		500,000	500,000
State appropriations	700,000		700,000	700,000
Local appropriations	100,000		100,000	100,000
Federal grants and contracts	20,000	$ 375,000	395,000	350,000
State grants and contracts	10,000	25,000	35,000	200,000
Local grants and contracts	5,000	25,000	30,000	45,000
Private gifts, grants, and contracts	850,000	380,000	1,230,000	1,190,000
Endowment income	325,000	209,000	534,000	500,000
Sales and services of educational activities	190,000		190,000	195,000
Sales and services of auxiliary enterprises	2,200,000		2,200,000	2,100,000
Expired term endowment	40,000		40,000	
Other sources (if any)				
Total current revenues	7,540,000	1,014,000	8,554,000	8,180,000
Expenditures and mandatory transfers				
Educational and general				
Instruction	2,960,000	489,000	3,449,000	3,300,000
Research	100,000	400,000	500,000	650,000
Public service	130,000	25,000	155,000	175,000
Academic support	250,000		250,000	225,000
Student services	200,000		200,000	195,000
Institutional support	450,000		450,000	445,000
Operation and maintenance of plant	220,000		220,000	200,000
Scholarships and fellowships	90,000	100,000	190,000	180,000
Educational and general expenditures	4,400,000	1,014,000	5,414,000	5,370,000
Mandatory transfers for:				
Principal and interest	90,000		90,000	50,000
Renewals and replacements	100,000		100,000	80,000
Loan fund matching grant	2,000		2,000	
Total educational and general	4,592,000	1,014,000	5,606,000	5,500,000

Auxiliary enterprises

Expenditures

Mandatory transfers for:

Principal and interest

Renewals and replacements

Total auxiliary enterprises

Total expenditures and mandatory transfers

Other transfers and additions/(deductions)

Excess of restricted receipts over transfers to revenues

Refunded to grantors

Unrestricted gifts allocated to other funds

Portion of quasi-endowment gains appropriated

Net increase in fund balances

See accompanying Summary of Significant

1,830,000		1,830,000	1,730,000
250,000		250,000	250,000
70,000		70,000	70,000
2,150,000		2,150,000	2,050,000
6,742,000	1,014,000	7,756,000	7,550,000
	45,000	45,000	40,000
	(20,000)	(20,000)	
(650,000)		(650,000)	(510,000)
40,000		40,000	
188,000	25,000	213,000	160,000

Accounting Policies and Notes to Financial Statements

Sample Educational Institution

Summary of Significant Accounting Policies

June 30, 19........

The significant accounting policies followed by Sample Educational Institution are described below to enhance the usefulness of the financial statements to the reader.

ACCRUAL BASIS

The financial statements of Sample Educational Institution have been prepared on the accrual basis except for depreciation accounting as explained in notes 1 and 2 to the financial statements. The statement of current funds revenues, expenditures, and other changes is a statement of financial activities of current funds related to the current reporting period. It does not purport to present the results of operations or the net income or loss for the period as would a statement of income or a statement of revenues and expenses.

To the extent that current funds are used to finance plant assets, the amounts so provided are accounted for as (1) expenditures, in the case of normal replacement of movable equipment and library books; (2) mandatory transfers, in the case of required provisions for debt amortization and interest and equipment renewal and replacement; and (3) transfers of a nonmandatory nature for all other cases.

FUND ACCOUNTING

In order to ensure observance of limitations and restrictions placed on the use of the resources available to the Institution, the accounts of the Institution are maintained in accordance with the principles of "fund accounting." This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with activities or objectives specified. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds that have similar characteristics have been combined into fund groups. Accordingly, all financial transactions have been recorded and reported by fund group.

Within each fund group, fund balances restricted by outside sources are so indicated and are distinguished from unrestricted funds allocated to specific purposes by action of the governing board. Externally restricted funds may only be utilized in accordance with the purposes established by the source of such funds and are in contrast with unrestricted funds over which the governing board retains full control to use in achieving any of its institutional purposes.

Endowment funds are subject to the restrictions of gift instruments requiring in perpetuity that the principal be invested and the income only be utilized. Term endowment funds are similar to endowment funds except that upon the passage of a stated period of time or the occurrence of a particular event, all or part of the principal may be expended. While quasi-endowment funds have been established by the governing board for the same purposes as endowment funds, any portion of quasi-endowment funds may be expended.

All gains and losses arising from the sale, collection, or other disposition of investments and other noncash assets are accounted for in the fund which owned such assets. Ordinary income derived from investments, receivables, and the like is accounted for in the fund owning such assets, except for income derived from investments of endowment and similar funds, which income is accounted for in the fund to which it is restricted or, if unrestricted, as revenues in unrestricted current funds.

All other unrestricted revenue is accounted for in the unrestricted current fund. Restricted gifts, grants, appropriations, endowment income, and other restricted resources are accounted for in the appropriate restricted funds. Restricted current funds are reported as revenues and expenditures when expended for current operating purposes.

OTHER SIGNIFICANT ACCOUNTING POLICIES

Other significant accounting policies are set forth in the financial statements and the notes thereto.

Sample Educational Institution

Notes to Financial Statements

June 30, 19

1. Investments exclusive of physical plant are recorded at cost; investments received by gift are carried at market value at the date of acquisition. Quoted market values of investments (all marketable securities) of the funds indicated were as follows:

	Current year	*Prior year*
Unrestricted current funds	$ 510,000	$ 390,000
Restricted current funds	180,000	165,000
Loan funds	105,000	105,000
Unexpended plant funds	1,287,000	1,600,000
Renewal and replacement funds	145,000	285,000
Agency funds	60,000	20,000

Investments of endowment and similar funds and annuity and life income funds are composed of the following:

	Carrying value	
	Current year	*Prior year*
Endowment and similar funds:		
Corporate stocks and bonds (approximate market, current year $15,000,000, prior year $10,900,000)	$13,000,000	$10,901,000
Rental properties—less accumulated depreciation, current year $500,000, prior year $400,000	900,000	899,000
	13,900,000	11,800,000
Annuity funds:		
U.S. bonds (approximate market, current year $200,000, prior year $100,000)	200,000	110,000
Corporate stocks and bonds (approximate market, current year $3,070,000, prior year $2,905,000)	3,060,000	2,900,000
	3,260,000	3,010,000
Life income funds:		
Municipal bonds (approximate market, current year $1,400,000, prior year $1,340,000)	1,500,000	1,300,000
Corporate stocks and bonds (approximate market, current year $650,000, prior year $400,000)	545,000	440,000
	2,045,000	1,740,000

Assets of endowment funds, except nonmarketable investments of term endowment having a book value of $200,000 and quasi-endowment having a book value of $800,000, are pooled on a market value basis, with each individual fund subscribing to or disposing of units on the basis of the value per unit at market value at the beginning of the calendar quarter within which the transaction takes place. Of the total units each having a market value of $15.00, 600,000 units were owned by endowment, 280,000 units by term endowment, and 120,000 units by quasi-endowment at June 30, 19........

The following tabulation summarizes changes in relationships between cost and market values of the pooled assets:

	Pooled Assets		*Net Gains*	*Market Value per*
	Market	*Cost*	*(Losses)*	*Unit*
End of year	$15,000,000	$13,000,000	$2,000,000	$15.00
Beginning of year	10,900,000	10,901,000	(1,000)	12.70
Unrealized net gains for year			2,001,000	
Realized net gains for year			159,000	
Total net gains for year			$2,160,000	2.30

The average annual earnings per unit, exclusive of net gains, were $.56 for the year.

2. Physical plant and equipment are stated at cost at date of acquisition or fair value at date of donation in the case of gifts, except land acquired prior to 1940, which is valued at appraisal value in 1940 at $300,000. Depreciation on physical plant and equipment is not recorded.
3. Long-term debt includes: bonds payable due in annual installments varying from $45,000 to $55,000 with interest at 5⅞%, the final installment being due in 19........, collateralized by trust indenture covering land, buildings, and equipment known as Smith dormitory carried in the accounts at $2,500,000, and pledged net revenue from the operations of said dormitory; and mortgages payable due in varying amounts to 19........ with interest at 6%, collateralized by property carried in the accounts at $800,000 and pledged revenue of the Student Union amounting to approximately $65,000 per year.
4. The Institution has certain contributory pension plans for academic and nonacademic personnel. Total pension expense for the year was $350,000, which includes amortization of prior service cost over a period of 20 years. The Institution's policy is to fund pension costs accrued, including periodic funding of prior years' accruals not previously funded. The actuarially computed value of vested benefits as of June 30, 19........ exceeded net assets of the pension fund by approximately $300,000.
5. Contracts have been let for the construction of additional classroom buildings in the amount of $3,000,000. Construction and equipment are estimated to aggregate $5,000,000, which will be financed by available resources and an issue of bonds payable over a period of 40 years amounting to $4,000,000.
6. All interfund borrowings have been made from unrestricted funds. The amounts due to plant funds from current unrestricted funds are payable within one year without interest. The amount due to loan funds from current unrestricted funds is payable currently.
7. Pledges totaling $260,000, restricted to plant fund uses, are due to be collected over the next three fiscal years in the amounts of $120,000, $80,000, and $60,000, respectively. It is not practicable to estimate the net realizable value of such pledges.

INTRODUCTION TO FUND ACCOUNTING IN COLLEGES AND UNIVERSITIES

(Distribute in Advance)

INTRODUCTION TO FUND ACCOUNTING IN COLLEGES AND UNIVERSITIES

I. PURPOSES OF MANAGEMENT INFORMATION

Before discussing fund accounting as such, it is useful to consider first the purposes that information serves in the management processes. (See Chart I attached.)

A. Management Processes

While management carries out a wide variety of activities it is sometimes useful to think of these in broad general categories. One method of categorizing the management processes is to think of them in terms of planning, operating, controlling, and evaluating.

Planning is that kind of activity which involves the establishment of goals and objectives, the examination of alternatives, the selection and development of programs, the selection and development of the proper type of organizational structure, and the forecasting of the financial and operating requirements of the institution over a period of time. The management process of planning is one which looks forward and considers the alternatives that relate to the future.

Operating involves carrying out the day-to-day activities required to achieve the established plans. Controlling is the activity which provides current assessment of day-to-day activity and requires a sort of nervous system allowing for feedback to management to enable those responsible for administering activities to determine whether the institution as a whole or a particular segment is operating in accordance with the plan. Operating and controlling focus on the present.

Evaluation is a most important function whose focus initially is to the past. Evaluative-type activities are those which might be characterized by questions such as: What did we achieve? Did we achieve what we set out to do? If we did not achieve it, why not? Evaluation involves an analysis of what has occurred in the past. The objective of the evaluation process is to learn more about the way in which the institution behaved so that its future activity might be more intelligently planned. The loop, then, runs back again to the planning process.

B. Operating Systems

Operating systems are those interrelated sets of activities, people, and resources which are organized into structured units in order to carry out a particular purpose or function. In a college or university there are dozens if not hundreds of operating systems or subsystems. Each one of these systems exists to carry out a particular function or activity. That is its ultimate goal. To a great extent, the system is self-contained with respect to what it is able to achieve. It may require the output of another related system. In turn, its own output may go on to another process. Nonetheless, each of these operating systems is an identifiable unit and has two characteristics that are important for this discussion. One is the fact that it is at the operating system level that we are first able to sense what is going on in the institution. Secondly, it is at this level that we can capture for the first time, and most efficiently, the kind of information we need to support the management process. Examples of operating systems are the student registration system, the accounting system, the payroll system, the system of operations and maintenance of plant, and the scheduling of classes.

C. Information Systems

The function of the information system--or, most broadly conceived of, the management information system--is to capture data at the operating system level, to classify it, to store it, to retrieve it, and to report it as needed in the form of useful information to the various functions or units of management in support of the four-fold types of activities mentioned earlier, namely, planning, controlling, operating, and evaluating.

Thus we can see that information systems which derive their initial input from the operating systems mentioned earlier must have a way of coping with three kinds of information, that is, information concerning historical performance, information concerning the current status of affairs, and information relating to planning or to the future.

D. Kinds of Information Available

The emphasis in this discussion will be on financial information. Other types of information which the management information system must cope with concern students, faculty, staff, facilities, equipment, programs, and the external environment. As just noted, these data would have three time dimensions--past, present, and future.

II. THEORIES OF REPORTING

A. Dependent Variables

The concept of reporting is important to understand before getting into what it is that is being reported because there are a lot of misconceptions about reports and particularly about financial reports. The first thing to keep in mind is the fact that there are only four characteristics of a report which may be varied. They are: (1) form, (2) content, (3) frequency, and (4) distribution. How these characteristics are varied depends upon a variety of independent factors, or variables. The four characteristics mentioned, therefore, may be thought of as dependent variables. These dependent variables, although only four in number, can provide an enormous amount of flexibility in designing reports to meet the needs of the user.

B. Independent Variables

The first problem is to determine who the users are and what their needs are. In analyzing the user's needs, there are a number of differences which the analyst looks for in deciding how to shape the report. These differences may be thought of as independent variables.

1. Hierarchical Relationships

The first independent variable is what we think of as hierarchical relationships. By this we mean that the scope of the report and the level of detail of the information in the report should be shaped to the level of the organization with which we are dealing. For example, if we look at the several layers of administrative activity as forming a pyramid, we would say that at the base of that pyramid, where we have the individual departments or units of administration that we are dealing with, concern is for the narrowest scope of activity but the need is for the greatest amount of detail. For example, a department chairperson normally would need to know all there is to know about his or her department. He or she needs all the details of the transactions and activities of that department but has no pressing need or legitimate requirement to have a lot of information about other departments or units of the institution.

As we move up the ladder of organization we can consider the needs of the dean of a college. The dean would be concerned about the activity of each of the departments within his or her span of control but would have less need for the underlying detail than would the department chairman. So, the report at that level of activity, that is, the level of the dean, would be broader in scope than that of the department chairman but would involve less detail.

The next step up might be that of the vice president for academic affairs. At his or her level he or she would be concerned with all of the activity of all of the colleges or academic units under his or her leadership but, again, would have less need for detail than either the deans of the colleges or the chairpersons of the various departments comprising those colleges.

At the vice presidential level we would have an even broader scope and even less detail than the two underlying levels of administration. And, finally, we reach the level of the president, the governing board, and other persons who have a concern with the overall institution, and we talk about a level of reporting involving the broadest scope--one that encompasses all of the activities of the institution and provides the least amount of detail, yet one which will still give the reader some basic understanding of what is going on.

So, as you can see, as we move up the ladder of organization we generally are broadening the scope and aggregating detail so that when we reach the top of the pyramid we have the highest level of aggregation and the broadest scope of report. As a matter of fact, the kinds of reports we are going to be looking at and talking about in the rest of this session are representative of that highest level of reporting, that highest level of aggregation wherein we are covering all the activities of the institution but are providing the least detail.

2. Volatility of Activity

The frequency with which change takes place in the status of the activity, or its volatility, is another important independent variable.

For example, with respect to operating requirements, an academic department may not have any major changes occurring from the beginning to the end of a particular term. A report dealing with that entire time period may be adequate for many purposes. On the other hand, there are types of operations within the institution which require monthly reporting. There are other activities, such as food service operations, requiring daily reports of certain information such as raw food costs, labor costs, and the number of meals served at each sitting. The frequency of report preparation, therefore, is most affected by the variableness of volatility.

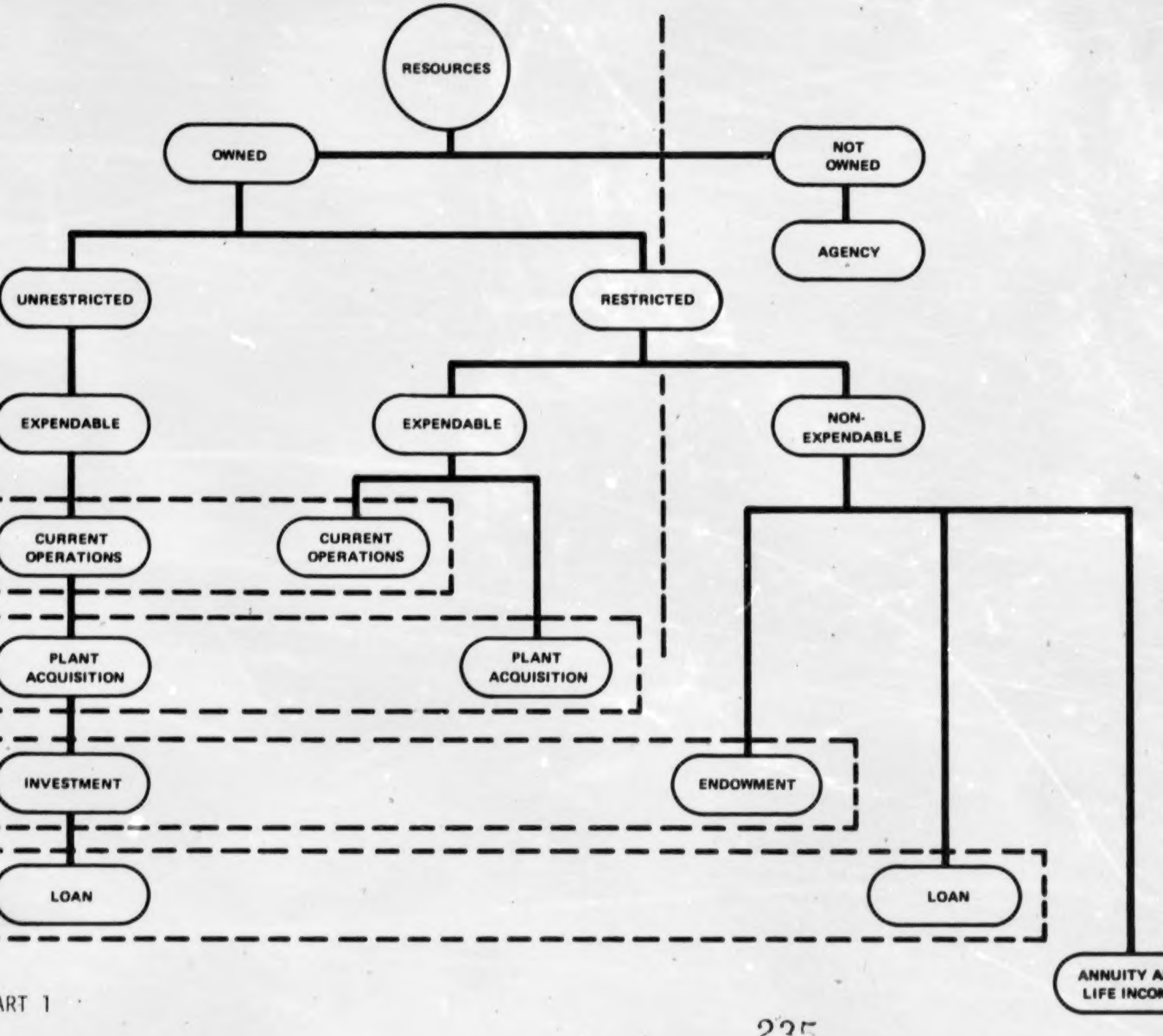
3. Other Independent Variables

Such matters as policy structure, management style, and congruence of goals and objectives also affect the form, content, frequency, and distribution of reports. Gaps and overlaps in organization structure and the assignment of authority and responsibility often can be identified when deciding on report distribution and content.

III. TYPES OF FINANCIAL INFORMATION

As mentioned earlier, we are concerned with actual financial activity and the status of current projects and so forth which require historical information. We are also concerned with projections about the future or of agreed-upon goals or modes of operation which would call for budgets, estimates of revenue, standards, and so on. Finally, we are concerned with different types of commitments that have been made that are presently binding on the institution but are not yet necessary for liquidation. These are referred to as encumbrances.

An encumbrance is a commitment evidenced by a legally binding document of some sort, such as a purchase order or a salary contract. The commitment is one which must be met at such time as the vendor or provider of the service has carried out his obligation.


RESOURCES
OWNED
NOT OWNED
AGENCY
UNRESTRICTED
RESTRICTED
EXPENDABLE
EXPENDABLE
NON-EXPENDABLE
CURRENT OPERATIONS
CURRENT OPERATIONS
PLANT ACQUISITION
PLANT ACQUISITION
INVESTMENT
ENDOWMENT
LOAN
LOAN
ANNUITY A
LIFE INCO

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Budgeting

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Authoritative Literature for College and University Fund Accounting

The one document which would be of most use in becoming familiar with fund accounting is Part 5 of College and University Business Administration (CUBA) published by the National Association of College and University Business Officers, Washington, D.C. Produced in 1974, it contains the accounting principles and reporting practices recommended for colleges and universities and is higher education's own literature produced by its own professional organization.

The publication is the third major revision that has been published under the title of College and University Business Administration over a period of more than two decades. The first authoritative work which was nationally recognized was published in 1935 under a different title. In 1952 the first publication entitled College and University Business Administration, Part 1 was published; Part 2 was published in 1956 and dealt with matters related to other kinds of business management activities. Both Parts 1 and 2 were incorporated into a revision which was published in 1968 under the title College and University Business Administration, Revised Edition. Finally, a third revised edition was issued in hard cover form in 1974. The same book is also available in looseleaf manual form under the title of Administrative Service; this manual is kept up to date and supplemented annually by NACUBO as part of its regular subscription service.

GLOSSARY

(To be distributed in advance)

ACCOUNT. Summary of the changes in a particular asset, liability, revenue, expenditure, or equity.

ACCRUAL BASIS. A matching process whereby revenue is recognized as services are rendered and expenses are recognized, as efforts are expended or services utilized.

ACE. American Council on Education.

AICPA. American Institute of Certified Public Accountants.

ALLOCATION. Assigning one or more items of cost or revenue to one or more segments of an organization according to benefits received, responsibilities, or other logical measure of use.

ASSETS. Economic resources that are expected to benefit future activities.

BALANCE SHEET. A photograph of financial status at an instant of time.

BUDGET. A plan of action expressed in figures.

CAPACITY COSTS. An alternate term for fixed costs, emphasizing the fact that fixed costs are needed in order to provide operating facilities and an organization ready to produce and sell at a planned volume of activity.

CAPITAL BUDGETING. Long-term planning for proposed capital outlays and their financing.

CAPITALIZE. A cost is capitalized or charged to an asset account when it will benefit (provide services) more than one accounting period.

CASH BUDGET. A schedule of expected cash receipts and disbursements.

COMMITTED COSTS. Those fixed costs arising from the possession of plant and equipment and a basic organization and thus affected primarily by long-run decisions as to the desired level of capacity.

COMPUTER HARDWARE. The equipment in a computer system.

COMPUTER LANGUAGE. The set of possible problem-related statements which can be translated into a form understandable to a computer.

COMPUTER SOFTWARE. The collection of programs and other procedures in a computer system.

CONCERNS. Committee for the Concerns of Women in New England Colleges and Universities.

CONTINUOUS BUDGET. A budget which perpetually adds a month in the future as the month just ended is dropped.

CONTROLLABLE COST. A cost which may be directly regulated at a given level of managerial authority, either in the short run or in the long run.

CONTROLLER. The chief management accounting executive. Also spelled comptroller.

CONTROLLING. Obtaining conformity to plans through action and evaluation.

CREDIT. An entry on the right side of an account.

CUBA. College and University Business Administration.

CURRENT ASSETS. Cash plus those assets which are reasonably expected to be converted to cash or sold or consumed during the normal operating cycle.

CURRENT LIABILITIES. Liabilities that fall due within the coming year or within the normal operating cycle if longer than a year.

CY PRES. A rule providing for the construction of instruments in equity as nearly as possible in conformity to the intention of the testator when literal construction is illegal, impracticable, or impossible.

DATA PROCESSING. The set of activities in an organization concerned with collecting, storing, aggregating, and reporting data, usually with the aid of computers.

DEBENTURE. A general claim against all unencumbered assets rather than a specific claim against particular assets.

DEBIT. An entry on the left side of an account.

DEPRECIATION. The allocation of the original cost of plant, property, and equipment to the particular periods of products that benefit from the utilization of the assets.

DHEW. Department of Health, Education, and Welfare.

EXPENSES. Expired costs that directly benefit the obtaining of revenue for a given period.

FIXED COST. A cost which, for a given period of time and range of activity called the relevant range, does not change in total but becomes progressively smaller on a per unit basis as volume increases.

FUNCTIONAL COSTING. Classifying costs by allocating them to the various functions performed, such as instruction, research, public service, student support, and so forth.

FUND. Setting aside a specific amount of cash or securities for a special purpose.

FUNDS STATEMENT. A statement of sources and applications of net working capital.

GAO. General Accounting Office.

GOING CONCERN. The assumption that an entity will continue indefinitely or at least that it will not be liquidated in the near future.

HEGIS. Higher Education General Information Survey, an annual government survey.

LIABILITY. The economic obligation of the entity to outsders.

LINEAR PROGRAMMING. A mathematical approach to a group of business problems which contain many intereacting variables and which basically involve combining limited resources to maximize profits or minimize costs.

LINE AUTHORITY. Authority which is exerted downward over subordinates.

MANAGEMENT BY EXCEPTION. The practice by the executive of focusing attention mainly on significant deviations from expected results. It might also be called *management by variance*.

MANAGEMENT SCIENCE. The formulation of mathematical and statistical models applied to decision making and the practical application of these models through the use of digital computers.

MASTER BUDGET. The budget which consolidates the organization's overall plans.

MIXED COST. A cost that has both fixed and variable elements.

MODEL. A representation of those characteristics of a problem or system which reproduce the portion of its behavior in which we are interested.

NACUBO. National Association of College and University Business Officers.

NCHEMS. National Center for Higher Education Management Systems.

NIH. National Institutes of Health.

NSF. National Science Foundation.

ON-LINE, REAL-TIME. Computer compilation of information as events occur (on-line), and supplying the relevant information rapidly enough so that interested managers may exert needed control (real-time).

OPERATIONS RESEARCH. A diffused collection of mathematical and statistical models applied to decision making.

OPPORTUNITY COST. The maximum alternative earning that might have been obtained if the productive good, service, or capacity had been applied to some alternative use.

OVERHEAD. All costs other than direct labor and direct material. Also called burden and indirect costs.

OVERHEAD RATE. A predetermined rate of overhead cost per unit, labor hour, labor cost, machine hour, etc., used to charge this cost to jobs or to processes. Also called an absorption rate.

PERT. Program Evaluation and Review Technique.

REALIZATION. The recognition of revenue. Generally, two tests must be met. First, the earning process must be virtually complete in that the goods or services must be fully rendered. Second, an exchange of resources evidenced by a market transaction must occur.

REALLOCATION. Allocation of the costs of operating the service departments to the various production departments in proportion to the relative benefits or services received by each production department.

RESPONSIBILITY ACCOUNTING. A system of accounting which recognizes various responsibility centers throughout the organization and which reflects the plans and actions of each of these centers by allocating particular revenues and costs to the one having the pertinent responsibility. Also called profitability accounting and activity accounting.

SEMI-VARIABLE COSTS. Costs which do vary in absolute amount, with a change in volume, but not in direct proportion.

SENSITIVITY ANALYSIS. The exploration of the effect of the value of assumptions on the magnitude of results.

SEPARABLE COST. A cost directly identifiable with a particular segment.

SERVICE DEPARTMENT. Those departments that exist solely to aid the production departments by rendering specialized assistance with certain phases of the work.

STAFF AUTHORITY. The authority to advise but not to command; it may be exerted laterally or upward.

SUNK COST. A cost which has already been incurred and which, therefore, is irrelevant to the decision-making process. Also called historical cost.

TIAA/CREF. Teachers Insurance and Annuity Association/College Retirement Equities Fund.

TRANSACTION. Any event that affects the financial position or results of the organization; it is the happening that requires recording.

SAMPLE PLANNING AND BUDGETING CALENDAR

ACTION STEPS	May 1	June 1	July 1	Aug. 1	Sept. 1	Oct. 1	Nov. 1	Dec. 1	Jan. 1	Feb. 1	Mar. 1	Apr. 1	May 1	June 1	July 1	Aug. 1
reparation of basic planning assumptions																
1. Review and revise goals and objectives																
2. Review and revise general college policies																
3. Develop institutional environmental assumptions																
4. Develop external environmental assumptions																
5. Prepare revenue estimates																
6. Prepare budget working papers																
7. Secure governing board approval (1-6)																
reparation of plan and budget																
8. Issue requests for academic program plans and budgets																
9. Administrative review																
0. Review academic program plan and budget summary (planning team)																
Issue requests for support program plans and budgets																
2. Administrative review																
3. Review support program plan and budget summary (planning team)																
4. Prepare staffing tables																
5. Prepare preliminary operating budgets																
6. Prepare cash flow projections																
7. Prepare capital expenditure budget																
8. Analyze program plan and budget																
9. Review analytical studies team recommendations																
0. Prepare final plan and budget																
1. Secure governing board approval																
2. Publish plan and budget																